# FINANCIALTIMES

strives for seat in Senate, Page 4

Miracle worker

No. 30,074

Monday November 3 1986

**EUROPE'S BUSINESS NEWSPAPER** 

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# **Swedes** protest at Moscow 'bugging'

World news :

Sweden has lodged a formal diplomatic protest to the Soviet Union after reporting the discovery of bug-ging devices in the Swedish Embas-sy in Moscow.

Its written protest said the devices, thought to number 30 or more, were installed when the building was first put up between 1968 and 1972. It added: They could not have been installed without the knowledge of the Soviet Union.

The Swedish Foreign Ministry said that while Moscow's conduct was "unacceptable", the bugging was unlikely to have damaged

# Soviet anger at Kohl

Swedish security interests.

The Soviet Union called off a visit to Moscow this week by the West German Research Minister in ap-parent retaliation for a Newsweek interview in which Chancellor Helmut Kohl was quoted as comparing Soviet leader Mikhail Gorbachev with Nazi propaganda chief Josef Goebbels. Page 2

# Bulgaria silent

Bulgarian media kept silent about details of an accident which killed 17 people on Saturday and injured 19 in the country's main chemical complex near the Black Sea port of Varna. In Basle, 14 people were treated in hospital after inhaling fumes from a fire at the Sandor chemical plant, Page 2

# Blow to Chirac

France's Council of State has ruled against two key provisions of the Chirac government's proposals tightening the law on French nationality. It said the changes would be contrary to France's republican

# Canadian row

A political row erupted in Canada over a cabinet decision to award a major maintenance contract for the Canadian Air Force's newest jet fighter to a Quebec company in-stead of the ladder from Western ment of National Defence. Page 4

# Vienna arms taiks

Soviet Foreign Minister Eduard Shevardnadze arrived in Vienna for talks this week with US Secretary of State George Shultz to study the next steps in arms talks between the superpowers. Page 3

# Tripoli shooting

France is watching closely the latest developments in the Chad conflict after reports that Mr Goukouni Weddeye, leader of the Libyanbacked Chad opposition movement had been seriously wounded in a Tripoli ambush by Libyan troops. Page 3

# Basque rescued

Jenaro Garcia Andion, director of police affairs in the Basque autonomics government, was killed when shots were exchanged between regional Basque police and Eta separatists holding a leading industrialist in a cave near Vitoria, northern Speto. The industrialist, Lucio Againagaide, was freed.

# **M**ozambique denial

Mozambique denied allegations by with African Foreign Minister Pik Boths that the Soviet plane that conshed, killing President Samora Machel, had obsolete equipment.

# Czechs seek asylum Statem Czechoslovak citizens left

Soviet cruise ship Mikhail Kala after it docked at Hamburg and be have requested political asyhan in West Germany.

# Becker wins

Boris Becker won the Paris Open iennis tournament by beating un-3.76 in the final. It followed victories in Sydney and Tokyo. seeded Spanisard Sergio Casal 6-4, 6ries in Sydney and Tokyo.

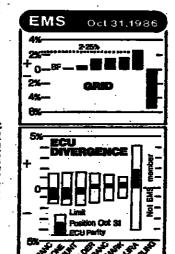
# \_ CONTENTS -

# Compaq to build plant in Singapore

Business summary

largest US manufacturer of personal computers, is building a plant in Singapore to circumvent the US-Japan semiconductor trade pact.

EUROPEAN Monetary System: The Belgian franc finished the week showing little overall change. A weaker trend earlier in the week was reversed as the dollar improved against the D-Mark after better than expected US trade figures. The Belgian franc remained the weakest member, followed closely by the Danish krone but there was no real pressure exerted on the weaker currencies and the franc and krone were trading well



The chart shows the two constraints The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each currency's divergence from its central rate's against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO shares continued down-wards in Sahmday's half-day ses-sion as the market met sporadic bargain hunting. The Nikkei average was down 74.04 to 16.836.59 amid light trading ahead of today's national holiday.

JAMES GOLDSMETH and a group of investors have declared a stake of close to 11.5 per cent in Goodyear Tire and Rubber of the US, world's largest tyre maker. Page 24

PRUDENTIAL-BACHE Securities. part of Prudential Insurance Corporation of America, has emerged as the key institution behind the proposed £156m (\$218m) manage ment buyout at UK printing group McCorquodale. Page 9

AUSTRALIA announced a reduction in tariffs on imported chemicals and plastics. Page 7

TEXAS AIR, Houston group in the process of building one of the largest airline businesses in the US, said it wanted to reduce its \$298m agreed offer for People Express.

FIAT, Italian car maker, "clarified" its takeover offer for Alfa Romeo. ailing car maker, and is confident of beating off the rival bid by Ford.

VERA, diversified West German energy group, is negotiating to buy a sizable stake in Hapag-Lloyd, the country's leading but troubled shipping line. Page 21

CITY SECURITIES, insolvent Singapore broking house, has been or-dered into liquidation by a Singa-

pore court. Page 24 BRITISH TELECOM privatisation has benefited big business, led to

dearer telephone calls and a poorer service for domestic customers says the trade union representing its employees.

EGYPT appears to be moving towards an agreement with the International Monetary Fund on a pack-

# US hostage's release brings hope for other captives

THE WHITE HOUSE yesterday announced that Mr David Jacobsen, a US citizen held hostage for 17 months by Moslem extremists in Lebanon, had been freed and said it was "hopeful" that other American

captives would be released. The announcement came on the eve of the key mid-term elections in the US tomorrow in which control of the Senate by President Ronald Reagan's Republican Party hangs in the balance.

Mr Larry Speakes, the White House spokesman, suggested in Santa Barbara, California, that Mr Jacobsen's release was the result of longstanding efforts by the Presi-dent and his officials on the hostages' behalf.

Mr Speakes also paid tribute to the work of Mr Terry Waite, the Archbishop of Canterbury's special envoy, who has been negotiating to try to free American and other

BY STEWART FLEMING AND LIONEL BARBER IN WASHINGTON AND NORA BOUSTANY IN BEIRUT Western hostages in Lebanon for

over a year.

Mr Jacobsen's release only two

days before the US goes to the polls throws a new favourable factor into an election campaign in which the Republicans have been trying to exploit to the full the prestige and popularity of Mr Reagan.

Mr Jacobsen was released early yesterday by the Islamic Jihad group, a militant Shia Moslem faction with links to Iran. He appeared at the largely disused US Embassy building in mainly Moslem West Beirut, where Embassy guards said he seemed to be in good health.

Mr Jacobsen was driven across the city's "green line," which divides West Beirut from mainly Christian

tion, thought to be Cyprus.

efforts by Mr Waite, whose latest foray into the Lebanese capital was by US helicopter at the weekend. In Damascus, the Syrian capital

Arab diplomats told Reuter that they believed Syria had not been di-rectly involved in what they described as Mr Waite's "US-inspired

They added, however, that they thought Damascus was advised of the negotiations ahead of Mr Jacob-

Syria, with which Britain broke off diplomatic relations just over a week ago, is the main power broker in Lebanon. It maintains 25,000 troops in the country and has been instrumental in earlier hostage re-East Beirut and then flown by a US instrumental in earlier hostage re-helicopter to an unnamed destina-leases. Syria is thought to have

played a key role in the earlier release of two American and three French hostages, and to have belp-ed secure the freedom of 39 US passengers on board a hijacked Trans World airliner at Beirut last year.

There are 21 Western hostages still being held by militant groups

The Islamic Jihad group which freed Mr Jacobsen, who was director of the American University hosother Americans, Mr Terry Sandford Anderson, a journalist, and Mr Thomas Sutherland, who was dean of the university. The Islamic Jihad also holds three Frenchmen.

It appears that the two Americans still held by Islamic Jihad are those the US hopes will be released

BY HUGH CARNEGY IN DUBLIN

votes to 161, giving the leadership,

which proposed the move, the re-

quired two thirds majority of all delegates present by a margin of 10.

Dr Garnet FitzGerald, the Irish Prime Minister, said that the Sinn Fein vote created an unprecedented

position in which a party committed

to "a brutal campaign of violence" sought election to Parliament. He

said all democratic parties had an

absolute obligation to join together

to ensure no Sinn Fein candidate

was elected, and if any was, to

pledge not to depend on them for

support in Government unless Sinn Fein renounced violence.

group of dissenters walked out of the conference, led by Mr Ruairi O'Bradaigh, former Sinn Fein presi-

dent. They later announced the set-

David O'Connell, a former leading

IRA man, but they admitted they

But most of those who voted

against seemed to heed repeated

appeals from Mr Gerry Adams, the

had no military wing.

After the result was announced, a

Sinn Fein votes

to take seats in

Irish parliament

Islamic Jihad said yesterday: "We announce to world public opinion, the American people and families of hostages that we have freed American David Jacobsen. We hold the American people: responsible for not taking advantage of this chance by continuing what it has already begun with overtures that could lead, if continued, to a solu-

tion of the hostage problem."

Of the remaining 21 hostages thought to be held in Lebanon, seven are American, nine are French, two are British, one is Irish, one is pital in Beirut, is also holding two Italian and one is South Korean. In all 65 foreigners are known to have been seized by militants in Lebanon since January 1984. Of these 32 were freed, six were killed and some others escaped.

> Continued on Page 20 Iran-Iraq war dominates Gulf Arab summit, Page 3

of feuding before and we are not go-

ing down that road again.

The move to drop the policy of abstaining from the Dublin parlia-

ment, which dates back to the parti-

tion of Ireland in 1922, was sought

by the Northern Ireland dominated

leadership to build broader political

support for Sinn Fein in the Irish

Republic and thus complement the

British and Northern Ireland par-

The dual "ballot box and Arm

lite" policy has developed strongly

within Simn Fein since it rode a tide

of nationalist sympathy during the

1981 bunger strikes in which 10 Re-

publican prisoners starved them-selves to death in Northern Ire-

Yesterday's change was bitterly opposed by Mr O'Bradaigh and his

supporters, who regard it as an abandonment of fundamental Sinn

effort would have to be channelled

In his speech on Saturday even-

ing, which began and ended with

standing ovations, Mr Adams stressed that the IRA had endorsed

the change at a recent secret con-

vention and that it would continue

to fight British rule. But by neglect

ing conventional political activity,

the movement had become isolated

and's Maze jail.

into winning elections.

# Race for control of **Senate** hangs in balance

By Lionel Barber in Washington

WITH just 24 hours remaining be fore America goes to the polls, the battle for control of the US Senate has turned into a cliffhanger.

The Republicans have been ex-ploiting President Ronald Reagan's popularity and their vastly superior financial resources to the full in a last minute effort to swing the elec-

The announcement yesterday of the release of Mr David Jacobs one of seven Americans held hostage by Moslem extremists in Lebachances on the back of a wave of emotional support for the Presi-

dent.

There is little doubt that the White House has been pushing as hard as possible to secure the release of the hostages before the mid-term elections, indeed some of the diplomatic pressure which is be-ing exerted on Syria by the US and the UK may well have been designed to speed the negotiations. Syria is believed to have some influ-

ence over the terrorists. Democrats and Republicans were out in force over the weekend in a last minute effort to break the deadlock in a race which is judged too close to call even by the most sea-soned political analysts.

The outcome rests on up to 13 states. The Republicans, who hold a 53-47 edge in the Senate, are struggling to hold on to at least seven seats. The Democrats, aiming to recapture the Senate after six years as the minority party, are confident of sneaking a slender victory.

campaign of violence by the IRA against British rule in the north. Political analysts said there could even be a 50-50 tie, in which case Sinc Fein will continue to boycott Vice-President George Bush would cast his vote to give control to the

The main prize in tomorrow's voting is the Senate committee chairmanships and the power to sched-ule legislation, though parties will argue that it sends a signal for the 1968 presidential campaign.

The tight race for the Senate has

overshadowed the congressional elections where all 435 seats in the Democratic-controlled House of Representatives are up for renewal, Fein principles. They also argued norships.

The vulnerable Republican seats

are in Alabama where Senator Jerimiah Deuton, a Vietnam war hero, is in difficulty, in hard-hit farming states such as North and South Dakota, and Idaho, Washington, Nevada, North Carolina and Florida. Key Democrat seats rated as pos-

Continued on Page 20 Democrats hope for Philadelphia miracie, Page 4

# US defends AT&T's bid to take over French phone group

a Franco-German attempt to pre-vent American Telephone & Telegraph (AT&T), the American telecications group, from conchiding a deal to take over the CGCT telephone company of

As part of the campaign, the US authorities have launched a diplo-most open market in the world and matic initiative, calling in both the West German and French envoys to the State Department, while conducting similar discussions at am-

ens, the West German electronics group, which is believed to Trade Representative, to support have received substantial backing the AT&T bid for CGCI. The US from Bonn in a counter-hid for

try, recently wrote to the seven ding for CGCT. large Bell regional operating comfotore deals

available for future action. The US.

Government agency, he insisted, had the authority under present new French-led joint venture a

THE US Government has launched cause it was selling "core" telecoma concerted effort to try to overturn munications equipment. These a Franco-German attempt to pre-products, he said, formed part of the regulated rate base. "We are looking at a power play which could result in the foreclo-

sure of a significant proportion of the European telephone market to American suppliers. I want to remind Europeans that we have the that this is an egregious example of efforts by certain European countries to close their markets to American companies."

bassadorial level in Europe.

In addition, Washington is threatening to impede a US sales drive by

Mr Fowler said the FCC was working with the US State Department of Commerce and Mr Clayton Yeutter, the Special Administration he says, fears that Mr Mark Fowler, chairman of the will give an impetus to the protections Commission (FCC), the regulatory body for the US telecommunications indusif Siemens wins the day in France it

Behind the US moves lie a companies asking for details of pur- plex battle over the future of a subchases from Siemens and possible stantial part of the European tele FCC would be prepared to take Generale d'Electricité (CGE) of tougher action if necessary, and France is taking over the telephone that it had a "menu of options" switchgear interests of ITT of the

law to act against Siemens, which is large stake in the West German currently pushing hard into the market through Standard Elektrik market for public telephone switch-gear with the regional American of ITT, which holds about 40 per telephone operating groups, be-

SINN FEIN, the political wing of yesterday's heated debate and said the Irish Republican Army, last in a speech before the vote was denight voted at its annual conference clared "We've been down the road gear market. In response to this deal, the US authorities believe that the West German Government is trying to force the French to allow to take up any seats it wins in the lrish parliament, overturning one of its most fundamental policies mens to take over CGCT, which and setting Sinn Fein-IRA strategy controls around 16 per cent of the French telephone exchange maron a new course. The change was approved by 429

Although Mr Fowler concedes that AT&T, which had bid for CGCT in collaboration with Philips of the Netherlands, has signed a formal agreement with CGCT, he says that the details of a deal had been worked out. AT&T was to begin supplying its switches to CGCT, he said, and in return would purchase microwave equipment from the French. "We would be very concerned where there is this magnitude of coercion in deciding who is the successful bidder," he added. Siemens in the US refused to

comment on the letter from Mr For lee, saying that it could not dis-cuss US or West German govern-ment policy. But it pointed out that the company employed 22,000 people in the US and spent \$2.2hn in the country. Paul Reitz adds from Paris: Des

future deals. communications market caused by pite support for AT&T from the He said in an interview that the the deal under which Compagnie French telecommunications authority, the Direction Générale des Telecommunications (DGT), as well as from the French Industry Minister and the Minister for Posts and Telecommunications, Mr Jacques Chirac, the Prime Minister, has tended to lean towards Siemens. An association between Siemens

and CGCT would form a European pattnership in the telecommunica

# current President, that the issue should not split the movement as a similar proposal did in 1970. Mr Adams pointedly went to the movement had been shake Mr O'Bradaigh's hand during from ordinary people.

# Japan welcomes exchange rate agreement with Washington

BY CARLA RAPOPORT IN TOKYO AND STEWART FLEMING IN WASHINGTON JAPANESE business leaders have

end that the joint statement on economic policy had been suggested by Mr Baker in late September in Mr Tadahiro Sekimoto, president

legislation in Congress.

Agreement with Japan alone is also regarded in the US as likely to ments of many business leaders, put additional pressure on West however, when he said that the cur-Germany to take further steps to rent yen-dollar exchange rate of

exchange was "broadly consistent" than that, they say, and the econo-

Initial reaction to the accord was decomed the exchange rate stabili-surprise, followed by measured apsation agreement announced on proval Mr Akio Morita chairman Friday by Mr James Baker, US of Sony Corporation, said at the Freasury Secretary, and Mr Kiichi weekend that the accord was "quite Miyazawa, Japan's Finance Minissignificant because it shows the ter. Mr Miyazawa said at the week- US recognised that exchange rate

Washington.

Economic policy co-operation has been the cornerstone of Mr Baker's ment is of "great significance" if it efforts to fend off motectionist means the yen is not going to rise legislation in Congress.

Agreement with Japan alone is Mr Sekimoto echoed the senti-

Germany to take further steps to rent yen-dollar exchange rate of stimulate its economy, even though Y160 is not a desirable one from Jathe West German economy is at pan's point of view. present growing faster than Ja- . Most industrialists and economists believe that Y170 is the level The joint statement on Friday in- at which the Japanese economy can dicated that the present yen/dollar continue to grow. Any stronger

with underlying fundamentals. Ja-pan and the US listed the steps they were taking to promote growth and reduce global trade imbalances, and promised to co-operate on exchange nomic policy was suggested by Mr

Baker in late September in Wash-

ington, at the time of the international monetary conference Friday's statement, which re-

viewed various monetary and fiscal goals of each government, was the result of more than a month's discussion, he said. For Japan, it outlined the Govern-

For Japan, it comments supplement's Y3,600bn (\$22.5bn) supplement's Ya,600bn (belo stimulate mentary budget to help sti the economy, the proposed tax reform plan and the fourth discount rate this year. For the US, the state ment listed Washington's commit ment to steady reductions in the budget deficit, the recently enacted tax reform and its efforts to resist protectionist measures. Meanwhile, Tokyo's normally vol-

atile stock market reacted quietly to the news in Saturday's trading. Share prices drifted down, the Nikkei stock average losing 74 to close at 16,839. The market will be closed today for a national holiday.

In the US, where attention is focused primarily on outcome of tomorrow's mid-term elections, the announcement of the accord has

Editorial comment, Page 18 Continued on Page 20

ting up of a new party, called Repu-blican Sinn Fein, chaired by Mr RA's military campaign as more

# **AIR PARIS AIR NANTES** AIR STRASBOURG **AIR BORDEAUX AIR LYONS AIR NICE**

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# **OVERSEAS NEWS**

# Schlumberger

FUJITSU AND SCHLUMBERGER ANNOUNCE INTENT TO FORM NEW U.S. COMPANY

FORM NEW U.S. COMPANY

New York, New York, October 23 — In a joint statement today, Fujitsu Limited and Schlumberger Limited announced an agreement in principle to expand the Fairchild Semiconductor operations by integrating the Fujitsu U.S. semiconductor business (Fujitsu Microelectronics Inc.) and certain other Fujitsu European semiconductor operations. Fujitsu will own approximately 80%, and Schlumberger will own approximately 20% of the new U.S. International company. Under the terms of the agreement in principle, Fujitsu will make a substantial equity investment in the Fairchild company. The company will have a board of director composed of Fujitsu and Schlumberger representatives as well as other U.S. executives.

Schlumberger representatives as well as other U.S. executives. Donald W. Brooks, president and CEO of Fairchild Semiconductor Corporation, who is to be appointed as president and CEO of the expanded Fairchild company, said, "The company will provide an international network of Fairchild and Fujitsu technologies, products and services. Current Fujitsu and Fairchild customers will benefit from the expanded production capability and enhanced research and development resources that will be resident in all the major markets of the world."

The consummation of the agreement in principle is subject to execution of definitive agreements, compliance with governmental requirements and approvals of the boards of directors of Fujitsu and Schlumberger.

# Schlumberger

RESULTS FOR THE THIRD OUARTER Schlumberger Limited reported a third quarter loss of \$42 million or \$0.14 per share, compared to \$208 million or \$0.70 per share carned in the same period last year. Third quarter revenue was \$1.29 billion versus \$1.56 billion, a year ago.

Third quarter results include unusual items relating to gains from a legal settlement with Data General, as well as from sales of a part interest in another company; these gains were substantially offset by reorganisation and personnel termination charges in the oilfield services and electronic groups as well as provisions for losses on

Euan Baird, Chairman, indicated that third quarter results were primarily affected by the continued drop of olifield activity worldwide, mainly in the United States, the North Sea, West Africa and Latin America. He also said that consolidated U.S. operations ed unprofitable resulting in an increased tax loss carry-

Oitfield Services revenue was \$551 million, down 43%, Measurement, Control and Components revenue was \$590 million, up 20%. Orders were \$563 million, up 23%. For the nine months of 1986, net income was \$161 million compared to \$724 million earned in 1985 and revenue was \$4.29 billion compared to \$4.89 billion.

Today, Fujitsu Limited and Schlumberger jointly announced an agreement in principle to integrate worldwide Fairchild Semi-conductor operations and Fujitsu U.S. semiconductor business and certain of its European semiconductor operations. Fujitsu will own approximately 80%, and Schlumberger approximately 20%, of the new U.S. company. Schlumberger expects to report a fourth quarter loss on this transaction of approximately \$200 million pending final determination of the terms of the definitive agreement, laterested persons may receive a copy of the quarterly report by writing to:—

Schlumberger Limited Communications Department 42, rue Saint-Dominique 75007 Paris, France

World value of

the pound ruesday in the

# Bulgarian chemical disaster kills 17

By Leslie Colitt in Berlin A SERIOUS accident at a Bulgarian chemical plant on Saturday killed 17 persons and injured 19, many seriously, according to the Bulgarian news agency BTA. The accident occurred at the sprawling chemical complex in Devnya, 30 km west of Varna, the leading Bulgarian port and a resort centre on the Black Sea.

BTA said a government commission had arrived at the plant to determine the cause plant to determine the cause of the accident and to see how norma? work could be resumed. No details were given on the nature of the accident or whether pollution was released.

The report of the accident followed an earlier announcement that several senior officials in the chemicals industry were relieved of their posts because of "in-competence." It said they were unable to cope with problems in the industry. A group of specialists under Mr Dimitur Dackey, the first deputy chairman of the State Planning Commission, took over administration of the industry.

The Bulgarian Communist Party in recent months has sharply criticised had management and widespread corruption in leading industrial companies.

FINANCIAL TIMES Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt Matn., and, as members of the Board of Directors, F. Barlow, E.A.F. McClean, G.T.S. Dames, M.C.

Gorman, D.E.P. Palmer, London, Printer: Frankfurts-Societits-Druckerel-GmbH, Frankfurt/Main. Responsible editor: B.A. Harper, Frankfurt/Main. Gutollettstresse. 54, 6000 Frankfurt am Main 1. 6 The Financial Times Ltd, 1966. FINANCIAL TIMES, USPS No. FINANCIAL TIMES, USES NO. 190640, published daily except Sundays and holidays. U.S. suberlytical rates \$365.00 per annum. Second class postage paid at New York, N.Y. and at additional matting ofices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 80th Street, New York, N.Y.

# CDU politician who shoots from the hip

offer terrorists judicial im-munity if they testify against reward for quitting Chile, according to Mr Helner Geissler, the man at the centre of Chancelior Helmut Kohl's reelection campaign.

Mr Geissler's latest interven-tion in the controversy over antiterrorist laws comes on top of a row he already caused at the end of last week in Bonn by labelling opponents of the new legislation "accomplices of mur-

Mr Geissler, general secretary of the Christian Democratic Union (CDU), the senior part-ner in the Bonn coalition government, defended the plan

THE Soviet Union has cancelled

a visit to Moscow this week by Mr Heinz Riesenhuber, the West

Mr Heinz Riesenhüber, the West German Research Minister, in apparent retaliation for an interview given by Chancellor Helmut Kohl in which he compared the public relations skills of Mr Mikhail Gorbachev, the Soviet leader, with those of Josef Goebbels, the Nazi propagands chief.

In an urgent attempt to heal what could yet become a major

what countries, Mr Kohl has made what amounts to an apology to Moscow, while also accusing the

US magazine Newsweek of not

quoting him properly.
"I very much regret it and

"It would also increase the mutual distrust of people in the terrorism network. It's the same their accomplices are essential terrorism network. It's the same and are comparable to giving with people like Pinochet and President Augusto Pinochet a Duvalier (the former dictator in Haiti) — they need to be given asylum somewhere in the world to allow them to leave their

> "If Pinochet were offered DM 4m and given a place on a nice island somewhere, it would be a good thing for democracy in Chile," Mr Geissler said. "In the same way, the French did well to offer exile to Duvalier to allow him to leave Haiti."

The Bonn Government's plan, decided last week and due to come into force before Christner in the bonn coalition could have been accounted the plan mas, to tighten up and extend to enable terrorists to give the country's anti-terrorist laws, relate's evidence" as giving has sparked considerable criticism not only from the Oppo-

General Secretary."
Newsweek published an interview with Mr Kohl last month.

in which he is quoted as saying of Mr Gorbachev: "He is a modern communist leader who understands public relations. Goebbels, one of those respon-

sible for the crimes of the

Hitler era, was an expert in public relations too." The Government claims Mr Kohl said, in German, "He knows something about PR. Goebbels

also knew something about PR."
The extent of Boon's blunder,

though, is explained by News-

week's clarification of who Goebbels was, because this was

Moscow cancels Bonn visit

David Marsh and Peter Bruce meet a key figure in Kohl's re-election campaign

Mr Geissler's analogy of strongly in favour of democracy president Pinochet in his bid in Third World countries run to justify the new measures, however, comes as no great surprise — for two reasons.

First, the CDU general secretary — No 2 in the party retary — No 2 in the party hierarchy since 1977 — is a seasoned practitioner of the art of using colourful and controversial language to get his political barbs across.

A man renowned for shooting from the hip, whose words and actions can move in contorted patterns, Mr Geissler has been labelled by the SPD as West

and Mr Hans Dietrich Genscher.

the Foreign Minister, last Thurs-

trying yestetday to soothe ruffled feathers, telling a party meeting in Hamburg that Germans should take Soviet

efforts at disarmament seriously

and be conscious of the "mil-

lions of dead that the people of the Soviet Union lost through

sition Social Democratic party ment" fighting deployment of with the Greens, Mr Geissler (SFD) but also from the Free US missiles with the pacifists steadfastly puts them in the Democrats (FDP), the junior partners in the centre-right made Auschwitz possible.

"The Red-Green faction are made Auschwitz possible." Yet he has also come out

visits in July to support oppo-nents of the right-wing regimes in South Korea and Chile.

hult

Unlier

ii lii

spreading scenarios based on panic and depression, he said. We, on the other hand, are in favour of technological progress."
The January election would

not be "a children's tea party," but he was confident the pre-sent coalition parties can win at least 54 per cent of the votes. Even though his friends and in South Korea and Chile.

Speaking in his office on the tenth floor of the CDU head quarters in Bomn, Mr Gelssler was in his normal slugging form, hitting out both at the SPD and the Greens antinuclear ecology party.

Although Mr Johannes Rau, the SPD's candidate for the Chancellorship, steadfastly refuses any idea of a coalition

Even though his friends and enemies alike know him as a man of ambition, he disdains where he was Minister the Government, where he was Minister for Youth, Family Affairs and Health between 1882-85.

Counting all the federal states, he says: "There are more than 100 Ministers in West Germany—but only one general secretary of the CDU."

# **BMW calls on EEC to** step up pressure on Tokyo

BY ANDREW FISHER IN MUNICH

says in an interview to be published today. "It was not my intention to insult the Soviet General Secretary."

original quote by his chief spokesman, Mr Friedhelm Ost, who was checking for accuracy the quotes Newsweek said it EEC governments should put the US, but not reduced home more pressure on Tokyo to output, "they are forced to ease access to Japan's car try to sell their products in market by removing non-tariff other areas of the world," he barriers, said Mr Eberhard von said. planned to use.
At the weekend Mr Juli
Kwizinski, Moscow's Ambassador to Bonn, met with Mr
Wolfgang Schäuble, the head of
the West German Chancellery,
and Mr Hoys Dietrick Conscher Kuenheim, chairman of BMW, the West German manufacturer whose luxury models are the best selling imports among day to discuss the apparent insult. Mr Genscher was also

Japanese drivers. BMW's business in Japan has been rising sharply, with sales 15 per cent.
up by 35 per cent in the first Japanese imports do not nine months to around 11,000 cars, But Mr von Kuenheim said it was not fair that Japanese non-tariff practices still hindered imports.

This year has seen a sharp

Germany. Imports account for about 30 per cent of the total market, with the Japanese market share alone exceeding

threaten BMW's home market share, which actually went down slightly last year to just over 6 per cent, but Mr von Kuen-heim said the time had come Because Japanese car makers for the EEC to persuade Japan had built up new capacity in to drop trade barriers.

Italy may reach

# categorically distance myself from it (the comparison," he actually added to Mr Kohl's Hitler's invasion." Bankers assess Turkish currency changes

BY DAVID BARCHARD IN ANKARA

sequences of new regulations announced late on Thursday by the Central Bank. The new rules include a 2.3 per cent devaluation of the Turkish lira against the US dollar and restrictions on selling rates for

ganda chief.

foreign currency.
In addition, the Central Bank has allowed a first cautious step towards deposit rate competition, by allowing some competition between banks on

ISTANBUL bankers were yes-corporate current deposits kept deposits which are held for terday trying to assess the con- in an account for more than a more than a month, the Central

The new rules appear to end banks' freedom since last Marc's to set their selling prices within a margin of 1 per cent of the Central Bank's daily rate for foreign currency.

In practice, rates to importers have been largely determined by negotiable com-missions of around 34 per cent. By allowing banks to compete for rates on current

Bank evidently hopes to en-courage a flow of funds back into the banking system. But the move is also seen as

the first step towards allowing competition on term deposits. Istanbul hankers also said that the revisions of the foreign exchange system looked like a signal from the acting governor of the Central aBnk, Mr Zekeriya Yildirim, that he was still

inflation target RETAIL PRICE inflation con-tinued to fall in Italy last Mr Yildizim, regarded as the architect of Turkey's new month, confirming that the Govforeign exchange régime since 1983, is currently tocked in battle with Dr Rutsu Saracogiu, another deputy governor and economics advisor to the prime minister, Mr Turgut Ozal, for the succession of Mr Yavuz

of the Under-secretariat of the

ernment's target of a 6 per cent average for the year could be within reach, John Wyles reports from Bome. According to Istat, the statistical institute, prices rose in October at an annual rate of 5,1 per cent. Canevi who was appointed head

The average inflation rate for the previous 13 months has Treasury and Foreign Trade, fallen 10 6.8 per cent from 7.1 last week.

FINANCIALTIMES Australia ANZ Bank HQ, Caltex, Electricity Trust of S. Austr., Ford, ICI Network, John Fairfax, Westpac Bank. <u>Austria</u> Aifa Laval, Kurier, Wienerstädtische Versicherung, Österreichische Mineralöi-Vervaltung. <u>Belgium</u> Proctor & Gamble, Université Libre de Bruxelles. <u>Brazil Ministerio de Educação e Cultura. China Fuzhou Rail</u>way, Ministry of Metallurgy, Nanhai East Oil Co. Nanhai West Oil Co. Colombia Aeropuerto de Medellin. Denmark BP, Danfoss A/S, Novo, Pl.M Haustrup, Privatbanken, Rank Xerox, Tuborg, Finland Digital Equipment Corp, Enso-Gutzeit Oy, Kansallis-Osake-Pankki, K@ OY, Kuopio City, Oy Electrolux Ab, Oy Stockmann Ab,

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الموجوع الإكاما

least seven people were killed and more than 80 injured in the third day of ethnic rioting in Pakistan's largest city, AP reports from Karachi. Sudan protest

> yesterday when police fired bullets and tear gas to disperse demonstrators protesting against rising prices and food shortages, Reuter reperts from thartount. hartous. Witnesses said the students hurled stones at the police who then opened fire. Nato march

Thousands of people marched through Madrid yesterday in protest against Spein's member-ship of Nato, Reuter reports from Madrid. Socialist Government of violating the terms of ing the terms of a referendum held last March in which Spaciards voted to remain in

Nato but outside its military Tunisians vote Tunisians voted yesterday in general elections boycotted by the opposition and certain to result in an overwhelming victory for President Habib

Bourguiba's ruling Destourian Socialist Party (PSD), Reuter reports from Tunisia. Only 15 independent candidates are challenging

Air settlement British Caledonian and Nigerian Government yesterday settled their five-week dispute over a new fare structure for the profitable west African beate, writes Michael Holman. The airline suspended ticket sales in the local currency when the naira was devalued by 66 per cent in September, per greement on new fac senger traffic on the route fell by nearly 30 per cent. BCal said that the Lagus to Location return fare had risen 94 per cent to 2,700 naira.

# Soviet chief in Vienna to meet Shultz

major nuclear disarmament

matic contacts was certain as

Mr Shevardnadze, Mr Shultz and 33 other foreign ministers

gather for the opening of a follow-up meeting of the Con-ference on Security and Co-operation in Europe (CSCE). "The Vienna meeting of the

CSCE could not have come at a better time," the Soviet mini-ster said in an arrival state-

He is due to meet Mr Shultz for two hours on Wednesday

afternoon and two-and-a-half hours on Thursday morning

before both men hold separate

news conferences. Mr Shultz is

due to arrive on Wednesday

Referring to the CSCE meeting, Mr Shevardnadze said:
"The international situation

demands of us effective and

immediate action and the results of the Reykjavik summit

stimulate us to evaluate anew European and world realities." He quoted Mr. Gorbachev as saying a new political thinking was needed to guide humanity towards lasting peace and

The Soviet delegation was

prepared to work with all the European countries, the US and Canada in Vienna to achieve "important and positive

Comecon chiefs

consider reform

Prime Ministers of the Communist trading group, Comecon, meet in Bucharest tomorrow

under the shadow of harsh criticism by Mr Mikhail Gorbachev, the Soviet leader,

Reuter reports from Vienna.

Western diplomats said the

ministers were expected to

consider ways to overhaul the group's structure as Eastern Bloc states seek to modernise their stagnant or alling

Army troops opened fire yesterday on rioters in Karachi

who clashed repeatedly with unlice. Hospital officials said at

Four students and a policeman were injured in Khartoum

Troops open fire

co-operation.

"important results."

An intensive round of diplo-

agreement.

MR EDUARD Shevardnadze the Soviet Foreign Minister, yesterday arrived in Vienna where he will meet Mr George election on Saturday to rule the Shultz, US Secretary of State, this week to study the next Australian state in its own right. steps in arms talks between the superpowers, Reuter the superpowers, reports from Vienna.

The result, Sir Joh's greatest victory in 18 years as Premier, The two men were expected to consider how to build on the results of the October 11-12 summit between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, that narrowly failed to reach a market married discovered Labor parties, in the state and favours rural-based parties.

Cairo heads

for \$1bn

agreement

with IMF

By Tony Walker in Cairo

EGYPT APPEARS at last to

be moving towards an agree-ment with the International

Monetary Fund on a package of economic reforms in re-

turn for assistance totalling

about \$1bn (£714m) over

three years. Egyptian officials hope that an agreement in principle can be reached with the IMF this month and final

approval given by the IMF Board for the beginning of an

The way would then be pen for Egypt to go to the

open for Egypt to go to the Paris Club to seek a comprehensive rescheduling of its official debt. Its largest creditors include the US, France and Spain, which have lent billions of dollars for

IMF and World Bank teams are now in Cairo for

discussions on a rescue operation for Egypt's ailing

economy. The two organis

tions are co-ordinating their

The latest IMF study of

the larest IMF study of the Egyptian economy reported that foreign debt had reached \$38.6bn by the middle of this year. Arrears on debt service payments exceed \$4m.

The IMF is asking Egypt to liberalise interest rates, increase energy prices, and unity its multi-tiered ex-

change rate, bringing about an effective devaluation. Last week, Egypt appeared.

to move towards a unified rate when it announced that Egyptian officials abroad would have their salaries and

allowances calculated at a rate of E£1.80 to the dellar.

This is close to the free

market rate of E£1.90 to the

exchange include E£1.35 to the dollar — the so-called

tourist rate - and E20.70 to the dollar, used for budgetary purposes to calculate the cost of strategic imports such as

Western observers in Cairo believe that Egypt's serious

financial difficulties leave it little choice but to make an

little choice but to make an arrangement with the IMF.

"I think they're really out of money, and this has concentrated their thought processes," said one official.

The IMF report said that Egypt's "usable" foreign exchange reserves are down to \$600m. This is sufficient cover for less than one month's imports.

**Mexico** expects

By William Orme in Mexico City DESPITE THE failure of pri-

vate creditors to approve Mexico's \$6bm fresh money request before the IMF-imposed October 31 deadline, Mexican officials said the loan

will be granted and partially

disbursed before the end of

required 90 per cent of the commercial loan — a "criti-

cal mass," in IMF terms — to be subscribed by mid-November, Gustave Petricioli,

Finance Minister, said on

The IMF and World Bank would then begin to release

Mexico's multilateral loans, while the first private credit disbursement would be made

a month later, Mr Petricioli

Japan, which has agreed in principle to give Mexico another \$1bn in financial aid,

has also made its lending contingent on the approval of private bank loans.

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loan approval

this month

the year.

Thursday.

month's imports.

assistance programme

early next year.

arms purchases.

QUEENSLAND'S right-wing vote counted by Saturday night, before the election that Sir Joh to blams the gerrymander for Whether this means he should not win enough seats for its performance, while the make way for Sir Joh is understand the Nationals to rule alone and Liberals pointed to their lack clear. Speculation has intensimayerick Premier, upset all assembly. Labor had won 27 local predictions by securing and the Liberals 10. The last enough seats in the assembly six seats will be decided when assembly resumes today. counting resumes today.

The Nationals secured their victory with less than 40 per cent of the popular vote, undervictory in 18 years as Premier, lining the support it received gives him three more years in from the Queensland gerryoffice and represents a setback mander, a demarcation of for both the Liberal and constituencies which heavily

STATE PREMIER UPSETS POLL PREDICTIONS TO RECORD GREATEST TRIUMPH

Sir Joh romps to victory in Queensland

floor in order for the Nationals to secure a clear majority. Prior to that, the Nationals and Liberals had ruled Queensland in coalition for 26 years.

in 1983, when two Liberals had to be persuaded to cross the

Labor, which received a

few days of the bruising election campaign. Mr Bob Hawke, the Labor

Prime Minister, said the result spelled disaster for Mr John Howard, the Liberals' national leader, Senior National Party figures in Queensland also derally.

Local analysts and pollsters higher percentage of the vote hinted that Mr Howard should With about four-fifths of the had been unanimous in agreeing than the Nationals, was quick consider stepping down.

the Nationals to rule alone and Liberals pointed to their lack clear. Speculation has intensithat a return to coalition with of resources to combat the fied recently about the national Nationals' expensive advertising ambitions of Sir Joh, 75. He Instead, he did better than onslaught, launched in the last Saturday night that the "onslaught on Canberra" was to start immediately.

Mr Howard said the result was a disaster for the Labor Party, which had failed to improve its showing in Queensland and had received a vote against it of between 55 per cent and 56 per cent.



Sir Joh: three more years

# Iran-Iraq war dominates Gulf Arab summit meeting

states yesterday began a summit meeting of the Gulf Co-operation Council, with the Iran-Iraq war the top item on their agenda, Reuter reports from Abu Dhabi. The summit, the seventh since the GCC was formed in of ending the war and of protecting oil and shipping interests of the six member states from Gulf war attacks. The GCC groups Saudi Arabia, Bahrain, Kuwait, Oman,

Emirates. The Emir of Qatar, Shelkh Khalifa Bin Hamad al-Thani, said in an interview published

Qatar and the United Arab

ping in the Gulf constituted a "very serious escalation" of the conflict now in its seventh year.

Nearly 70 merchant vessels, Nearly 70 merchant vessels, and have hit the price of a barrel from \$30, joint measures to protect shipping. These include a proposed efforts between Syria and Iraq, ping. These include a proposed efforts between Syria and Iraq, possels, Sheikh Khalifa told the UAE of coverage by Saudi-owned Airon and Arab summit and efforts to unify Palestinian factions.

AP adds: The summit would are conomic issues, LEADERS OF six Gulf Arab ping in the Gulf constituted World oversupply pushed down leaders are likely to discuss

yesterday that attacks on ship- their main source of revenue.

mostly tankers, have been hit newspaper al-Ittihad that the borne Was by either Iran or Iraq this so-called "fanker war" was as System (At year, against 46 for all of 1985. serious as attacks on civilian six states. Many swikes have taken place ahips during the Second World The sums

Diplomats say the GCC

The summit will discuss im-

summit included old ministers. directed against civilian ships called for development of a and tankers passing into and Gulf arms industry, bilateral from tary general, said developments in the oil market and their party to the conflict," he said.

He called for international The summit will devote one said.

waters.

War.

"The most dangerous aspect strategy approved last year in commercial and industrial prosumment included oil ministers.

Abdullah Rishara GYC strategy against civilian ships called for development of the directed against civilian ships mainly focusing on proposals to from all government-owned banks and industrial develop-ment banks, conference officials

be discussed.

He called for international The summit will devote one said.

GCC economies have been Nations resolution which last issues as the leaders discuss latest in a series of steps battered over the last year by month called for free navigating price of oil, tion through the Gulf.

He called for international The summit will devote one said.

Adoption would mark the issues as the leaders discuss latest in a series of steps implementation of a 1981 toward creating the Middle East the plummeting price of oil, tion through the Gulf. Adoption would mark the latest in a series of steps toward creating the Middle East

# **Opposition** leader in Chad 'shot in ambush

By Paul Betts in Paris FRANCE IS watching closely developments in the Chad conflict after reports at the weekend that Mr Goukours Weddeye, leader of the Libyan-backed Chad opposition GUNT movement, had been seriously wounded in Tripoli.

Relations between Mr Goukoni Weddeye and Colonel Gadaffi of Libya have been deteriorating lately. One of Mr Goukouni Weddeye's aides said he was shot by Libyan soldiers in an ambush in Tripoli last week.

The divisions in the Chad opposition and the rift between Col Gadaffi and Mr Goukouni Weddeye could pose problems for France in central Africa, diplomatic observers in Paris suggested at the weekend,

France retains about 1,000 Jaguar aircraft to help defend the country against Libyan incursions. Despite Libya's agreement two years ago to pull out its troops from northern Chad, Tripoli is widely believed to have continued to maintain a presence in the north.

Since the rift between Mr Goukouni Weddeye and Col Gadaffi, Mr Hissene Habre, leader of Chad, has been seeking to launch an initiative to try to recapture the north



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Mr Edgar, 43, a boyish-look-

He is liked by anti-nuclear groups, loved by the environ-mentalists, pro-choice on obor-tion and boasts one of the most liberal voting records in Con-

But here is the rub: for 12 years he has represented a heavily Republican-registered district in Philadephia's sub-

urbs. Among his overwhelm-

ingly young campaign workers he is known, therefore, as the

another miracle by overcoming a 15 to 20 point deficit in the

first Democratic senator for 24

The race for Senate, and for governor, has aroused national

interest because it takes the temperature of a large industrial

and farming state in search of

Pennsylvania used to symbo-

lise American industrial muscle. The country's first oil field was

found here. The state was known as the Saudi Arabia of

coal and its name was synony-mous with steel.

a new identity.

Tomorow he will have to work

# Air force deal sparks Canadian political rumpus

BY BERNARD SIMON IN TORONTO

A BIG political row has erupted A DIM PULLICAL TWO HAS STUDIED IN CANADA OVER a cabinet decision to award a C\$1.4bn (£716m) maintenance contract for the Canadian Air Force's newest jet fighter to a Quebec company instead of the Western Canadian bidder Canadian bidder by the National

In what is widely interpreted as a bid to shore up the ruling Progressive Conservative Party's support in Quebec, the Federal Government has chosen Canadair, the Montreal-based aerospace group, to service 138 new CF-18 fighters.

Defence Department officials had supported a lower tender submitted by a consortium led by Bristol Aerospace of Winnipeg, a subsidiary of Rolls-Royce, the British engine maker.

The decision to give Canadair the 20-year contract has deeply angered western Canadian businessmen and politicians including Tory caucus members. It has infiamed the regional animosities which are never

# Venezuela 'will not pay bank's foreign debt'

VENEZUELA will not take responsibility for an estimated \$400m (£285m) ewed to foreign banks by a bank-rupt private commercial bank. Mr Howard Pawley, Premier of Manitoba, said the award "was based on the most crude, Banco de Comercio, accord-ing to newspaper reports yesthe most crass of partisan con-siderations."

cling unnamed sources close to the Central Bank, the reports indicated that the debt of Banco de Comercio and its subsidiaries, all of which was intervened by the Government in June last year, Bristol officials warned that the intrusion of politics into tendering would discourage foreign investment at a time when the Government was trying hard to attract it. was contracted by its former owners before the authorities Resentment has been building up in western Canada against what is seen as an intook over the institutions. Thus it is not a Government adequate federal response to the decline in oil, gas and grain prices. The slump in these

sectors has pushed the region's

resource-based economy into recession while the industrial heartland of Ontario and Quebec enjoys strong growth.

The Government defended

the contract award last Friday

on the grounds that Canadair is a wholly-owned Canadian company and, whike Bristol, is an aircraft manufacturer

which can make better use of

technology from the CF18's US

supplier, McDonnell Douglas.

Ministers denied the decision

was politically motivated.

Foreign banks have been pressing the Government for payment of the bank's offshore debts since it was taken over to avoid its collapse. The Government's epinion now appears to be that it has no legal responsibility to pay

the debts and that the foreign banks should pursue the bank's former ewners, princi-pally Mr Juan Vincente pany mr Juan Vincente Perez Sandoval. In the past, bankers said, they received assurances from government officials that some plan would be worked out for paying off Banco de Comer-cio's foreign debts.

THERE IS a religious intensity about Congressman Bob Edgar's campaign for Senate in Pennsylvania.

Today, the steel towns southeast of Pittsburgh are near ghost towns. In the east, texture and shoe plants have been buried by foreign imports. In Mr Edgar, 43, a boyish-looking ordained Methodist minister, lost 267,000 manufacturing jobs. is the nearest shade to green longer-term, Pennsylvania's an American politician can get. He is liked by anti-nuclear to 11.9m from 1930 to 1980, one of the smallest rises among the large states.

On the positive side, service industries have plugged some of the job gaps. The unemploy-ment rate is below the national average, at under 7 per cent. Mid-state, the dairy farms have been nowhere near as hard hit as the crop farms in the mid-

# Fresh twist

Congressman Edgar likes to tell listeners that one third of America's dilapidated bridges, 31,000 of them, are in Pennsylvania. He also reminds them that pollution in Scranton, the old anthracite town in the north, so bad that people have to boil their water.

His answer is Rooseveltian public works programmes, with a fresh twist. He blocked in Congress, on the grounds of inefficiency, several pork barrel waterway projects of the sort favoured by old Democrats bordering the Mississippi delta. He argues that the state should put up some of the cash and

Lionel Barber in Pennsylvania on a contest that has aroused national interest

Democrats hope for Philadelphia miracle

ideas before picking up

This distances him from his opponent, Senator Arlen Specter, who squeaked into the Senate in 1980 and has been running hard ever since. Even Senator Specter's supporters concede that he would take the pork, the barrel and anything else available from the Government in the interests of Pennsylvania. "Arlen," said his campaign manager, Mr Grant Woodrow, "is not a new product."

He has been an original in less obvious areas. A former less obvious areas. A former district attorney from Philadelphia who gained a seat on the Senate judiciary committee, Senator Specter, 56, has applied his prospectorial skills to investigate Josef Mengele, the dead Nazi; to interrogate Ms Linda Lovelace, the retired pornoursely start and to meeting the control of the second seasons. nography star; and to question Mr Bernard Goetz, the New York subway vigilante.

Senator Specter voted regu-

larly against President Reagan its name to the earlier men-in the Senate. His favourite phrase is "It's not easy being a Republican in Pennsylvania," which, coming from a former Democrat ripes true. So why Mr Scranton, junior, 39, dabbled with drugs 20 years

dabbled with drugs 20 years ago and five years later endorsed George McGovarn for 
president while playing ponytailed newspaper publisher with 
family money. Now he is a 
cleanout yuppe figure whose 
new generation "theme is 
attracting high-behnology industry to the state to boost 
employment. Democrat, rings true. So why did he swap political horses 20 In the 1950s and 1960s the Democratic Party in urban Pennsylvania (and elsewhere in the US such as Chicago) was dominated by Irish and Italian Americans with strong Roman Costo Victoria and some Americans with strong roman Catholic family ties and, some-times, a stronger streak of cor-ruption. The ethnic barriers facing Jewish liberals such as Mr Specter were formidable. Joining the Republicans and tackling corruption was a sure Mr Scrapton's opponent is known as "the real Bob Casey." Mr Casey was thwarted twice for office in the 1970s when two

namesakes tagged on to his popularity. His father was a miner, he has eight children and at strongly anti-abortion.

Having run three times and lost for the Democrat's guber-natorial nomination, he has some similarity with Mr Specier who lost three state political races in a row before making it to Washington.

This reveals a lesson in Pennsylvania politics: the best chance of wanting in such a big state is by losing a few times. Mr Edgar, despite raising about \$4.5m (£3.2m) for his campaign, is probably not well enough known to overhead Mr Specter. slight favourite for governor is William W. Scranton III, son of a former governor and descendant of the family which gave state in transition.

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# AFTER THE BIG BANG WE SUGGEST LITTLE POP.

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# **US** anti-apartheid challenge to Shell

BY TERRY DODSWORTH IN NEW YORK

of making a name for one-

Today, the Democrat machine

has lost its vigour. Philadelphia has its first black mayor. Mr Wilson Goode. Mr Edgar beat

the machine's first choice in a hard-fought primary. For the first time in years, the party is

not running a split ticket

between Pittsburgh in the east

On the Republican side, there

and Philadelphia in the west.

Signs of change

THE US anti-aparineld movement is planning to step up its attack on corporate invest-ment in South Africa by intro-ducing shareholder resolutions at the next Royal Dutch Shell annual meeting in Europe.

The resolutions will call for the oil company to stop seiling petroleum products to the country's police, military or other government agencies.

While similar resolutions have become commonplace in the US, this is the first time that US anti-spartheid cam-paigners have attempted to bring pressure on a foreign-based multinational. Officials said they will be

attending Shell's annual meeting in the Netherlands next year to support their stand. The US anti-apartheid move-ment has been increasingly concerned that the divestme of US companies in South because some of the abandoned

The main sponsor of the move against Shell will be the New York City Teachers' Re-tirement System, one of the anti-apartheid movement in the

It is being supported by the Interfaith Centre of Corporate Responsibility, an inter-denomi-national religious organisation, of America union, which has recently been active in organising a US boycott of Shell products.

THREE meter industry unions THREE meter industry unions have called on foreign companies withdrawing from South Africa to "bear the hrunt of the results of apartheid" by making sure future earnings of local employees are guaranteed when the companies sold, Are reports from Johannesburg. Johannesburg,

The joint statement, re-leased at the weekend by the National Automobile and Allied Workers Union, Metal and Allied Werkers' Union, and Motor Industry Combined Workers' Union, condemsed General Motors South Africa for its intention to sell its plants, dealerships and parts stores to local managers, which will be identified today.

Mr. Eric Wolkman project manager in the New York controller's office, the depart-ment responsible for adminishas convincing evidence that Shell has been supplying the police and military in South

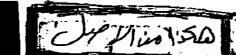
the resolution. If it does not says it is likely that the con-trollers' office will go to court This is a tactic which the controller's office has used previously with some effect effect against both domestic foreign companies in battles to make its voice heard

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# If only all printers were as reliable as Epsons.

India were without Kapil Dev, because of a bruised finger, a legacy of the first Test, and England omitted Chris Cowdrey and fielded three spacemen.

Brighton Evening Argus

# PART-TIME DENTON HALL & BURGIN SOLICITORS

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The Standard

SUCCESSFUL businessman, widower, aged 44, usual trappings, non-smoker with varied interests, seeks affectionate, understanding female to shave the enjoyable things in life. Box No. 4881. Yorkshire Post Ltd...

What Mrs Thatcher's closest friends are wondering is whether, as the signs suggest, she is begin ning to suffer from metal fatigue.

The Grauniad

A remittance prince? While the British press speculates that Prince Andrew is heing sent to Lakefield College School to help Canada through a constitutional crisis. our sources tell us that the real reaxon for the prince's being sent to Cannadda in minterm is that heb and bis ng \$!(( prondi tic456— % BNOThb;t cppty whhhhhhenn e9090 ()() when isssn't too sprising to those ho know the boy's private interest

Toronto Sun

Kit Patterson, Carlisle's clerk of the course, says: "The prospects for racing are very remote. There is snot and frost on the course and we will hold an inspection at noon tomor-

Herald Express

LEWISHAM Leisure Centre is about to launch a new set of courses.

Each of the weekly courses — all but one containing sex sessions begins at the centre in Rennell Street in September.

Lewisham Outlook

GIBSON (Life Baron, U.K.), Richard Patrick Tellentyre Gibson; ct. 1875.
Son of Thornely Carbutt Cibson. B. Feb. 5, 1916; ed. Eton and Magdalen Coll. Oxford; m. July 14, 1945, Elizabeth Dione, d. of Hon. Clive Pearson. Lewion Stock Exchange 1937. Served Midde. You. 1939-46 (N. Africa 1940-41; P.O.W. 1941-43; Spec. Operations exec. 1943-45). Political Intelligence Dept., Foreign Office 1945-46. Westminster Press 1947, Dir. 1948. Dir. of Whitehall Securities Ceryon. 1945-50 and 1973. Dir. Financial Times Ltd. 1957, Chrim. 1975. Dir. Economist 1957. Dir. S. Penron & Son 1960, Dep. 1975. Dir. Economist 1957. Dir. S. Penron & Son 1960, Dep. Chrim. 1969. Chrim. 1969. Chrim. 1967. Chrim. Arts Council of Great Britain 1972-77. Chrim. elect National Pront. Cross-Bencher. Address, The Lord Gibson, Pens's Rocks, Grammaridge, System. Brooks's and Garrick Clubs.

> Publishers Correction 1978 Edition of Dod's Parliamentary Companion

Reference to Lord Gibson's biography on page 122; for National Front read NATIONAL TRUST.

DOG KENNEL, suit medium sized dog. Good condition. Very turdy. Buyer collects £9.99, 19 Beaupre Ave, Outwell, after 6 pm or weekends.

Wisbech Standard

The operation to trap the gang began on Friday when a man arrived from Morocco on a car ferry His car was followed to Prestwick where police ponced.

The Granniad .

Perhaps the only disappointment of the championships from the British point of view was the defeat of Ade Mafe in the 200 metres at the hands of that good American sprinter Mel Lattany. It was in this Cosford stadium this time last year that Ade first hit the headlines by eating Latterry but yesterday he was not mentally tuned for another big race so soon after his silver medal perfornance in the world indoor gam in Paris last weekend.

GREENWOLD, Florence May. -Late of 163 Bergholt Road, Colches-ter. A simple, kind, and loving old lady who died with great dignity at 'Ambleside', Wood Lane, Fordham Heath, Colchester on Saturday, April 3, 1982 at 3.10pm. Loved by family and friends who knew her will.

**Essex County Standard** 

The conference's attitude was indicated by the almost total lack of applause after Wilson's 30-minute speech while Engin**eering** Union leader Bryan Stanley was greeted with sustained crapping when he put the anti-common market case.

Times of Zambia

HOW dare Ian Craig report that the Conservative party conference was inspired by Dave Eager's daft wave Eager's speech"

(Mrs) M E Booth, Clayton. FOOTNOTE: Sorry. A technical fault. It should have read "dest" instead of

Five thugs last night pulled the British passenger ship Capetown Castle clear of the sandbank on which she went aground at Flushing early yesterday.

Irish News and Belfast Morning News

· MADRID, (R) — Catholic nuns of the Mission of Jesus, Mary and Joseph, with a television success behind them and Mother Superior Francisca at the guitar, are bidding here for fame and fortune in the pope charts.

Dead-eye Stewart Fraser, who got three against the league of Ireland recently, attempted a shit from 20 yards, but was so wide of the target that he actually found Carlyle with his attempt. The outside-right was accommissed at the pass that

PISSOLES AND CHIPS

Richard Burton to teach English at Oforxd

The Scotsman

THAT OLD black magic has finally worked its spell on Highgate's own wicked witch David Farrant. He has fallen in love — and he says he's giving up witchcraft for ever. The girl who has lured Farrant away from midnight rituals in Highgate cemetery

Grimsby.

is 26-year-old Nancy O'Hoski,

Homsey Journal

# On the bottle

A bottle of whisky and a bottle of sherry, together worth 13 16s were stolen by a gurglar who forced a window of a house in Granfield Avenue, Radcliffeon-Trent, last night.

Nottingham Evening Post and Standard

# Thought For Today

The whle wrod is in a state of chassis. -Sean O' Casey

The Rising Nepal

While sympathising with the miners and arguing the British government could have acted to end the strike, Jessica Larive-Groenendaal (Neth) said she and her Liberal colleagues could not support a strike called without a ballet

European Parliament News

eloquent Dapper Thorpe strenuously charges that, with three other accused men, he plotted the murder of Normal Scott, who claims that he and the politician were once homosexual lovers.

Athens News

United goalkeeper, Stepney, went full length to save from Rector and then, in the 18th minute, saved an almost cer-tain goal when he bravely died at the feet of Davies.

The Gloucester Citizen

Enkalon is to get £1,500,000 via the Northern Ireland Office to keep the textiles and carpet yarn factory open for another seven moths

The Daily Getelarph

During the month of May. Henckey's steak bar willbe supporting the Mayor's appeal for £45,000 towards an Emisonic Scanner for Windsor's King Edward VII Hospital.

For every customer who dies in the bar during the month, 20p will be donated towards the

Staines Informer

# Arresting sight

SUPER-SLIMMER PC Michael Sykes, from Bradford, Yorks, has gone from 16 stone to 15 stone, He says: "The hardest thing is that every advert on TV seems to be

"But my wife has joined me and that's helped. She's lost half a stone in a wee."

The Sunday People

TRIOMPHE, 92, Champe-Elysées, Bal. 45-76.
TWO George-V. Seances: 14h, 16h 18h, 20h;
22h, Film: 25 mn après, Sam, at veilles de fêtes: séance suppl. à 24h, Pl.: 14 F. C.O. :

| EMMANUELLE (English Subtitules)

L'Officiel des Spectacles (Paris)

GREG NORMAN, hot favourite for the Card Classic at Royal Portheawl, missed a five-inch putt on the 11th green yester-

The blind Australian tried to tap in the tiddler one-handed but hit the ground with his putter and enjy just moved the

Sporting Life

# Spandau secret diaries

By ALBERT SPEER

Spandau: The secret diaries" will be one of the outstanding books of 1976. Extracts will appear only in THE HUNDAY TELEGRAPH.

QUALITY CONTROL IN PRINGING Short Course 11-13 October 1978.

PETER Daisley of Daisley Associates Limited, consultants in Quality Management, is again collaborating with the London College of Printing in organising a Quality Control in Printing

Journal and Graphic Review

LORD Snowdon greeted Prin-Heathrow today with a welcom

**Evening Mail** 

# Lights test aims to spot dy<u>sle</u>xia

As he follows lines of print, the normal reader moves his eyes jump, stop to absorb one or eyges jump, sop to absorb one or more words, then jump again. The fast reader will make shorter stops and fewer jumps, taking in more words more quickly than the slow reader.

The Sunday Times

PALACE, S cc. 01-437 6834. From Sept. 17. The Fabulous New Production of OKLAHOMO!

The Times

SHEFFIELD UNITED yehsterday became the first of those teams at the top or the bottom to have their fate settled when they were relegated to the Second Division. United's First Division life, slowly ebbing away since the start of the season, came to a painful end at Tottenham, where they were ham-mered 5-0 through goals by Willie Young, John Duncan, Steve Perryman (2) and Fartin Chivers.

The Sunday Times

Make no mistake — Epson printers are the most reliable type in the world.

The only time they ever strike is when their print heads hit the paper. The superb-quality LQ2500 will do this 200 million times before it gives out, and even the most basic model can manage 100 million.

An Epson will always make sure you look the part but with any other printer, you could end up looking

**EPSON** 

For further information on the Epson computer printer range, either: write to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR; call up Prestel \*280#; or dial 100 and ask for Freefone Epson.

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# Soon, 28,000,000 shares in M&G will be made available to the public

Within the next week, Kleinwort Benson intends to offer for sale 28,000,000 of the ordinary shares it holds in M&G Group P.L.C.

During the past 55 years, M&G has grown to become one of the leading investment management companies in Britain.

M&G launched the country's first unit trust in 1931, and is today the largest unit trust management company in the United Kingdom.

M&G has developed other aspects of personal finance, too. Savers and investors can choose from a wide range of personal pension and life assurance plans. In addition, M&G manages the investment of exempt pension funds and charities, and overseas funds.

M&G concentrates on long-term investment management, does not intend to diversify into unfamiliar activities, and always maintains a characteristically independent approach.

Above all, M&G maintains the highest possible standards of service to its customers and intermediaries.

To register your interest in the forthcoming share offer, and to reserve your copy of the offer for sale document, which will include an application form, complete and return the coupon.

Or telephone 01-388 1966 today.

ISSUED BY KLEINWORT BENSON LIMITED ON BEHALF OF KLEINWORT BENSON LONSDALE PIC

# REGISTER YOUR INTEREST TODAY

Please send me, w Group offer for sal (PLEASE COMPLETE I	ithout obligation, the M&C le document when available IN BLOCK LETTERS)
(TOPE) Mr 🗆 Mrs 🗆 Miss	s□or (write) title
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# **OVERSEAS NEWS**

# Australia cuts chemical and plastics tariffs

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN Govern- the ment has announced a reduc-tion in tariffs on imported chemicals and plastics as part of a restructuring of the pro-tected domestic industry.

F 3 1393

The move follows a report from the Industries Assistance Commission which highlighted a number of anomalies in the existing tariff structure which had distorted investment decisions and led to inefficiencies. Chemical and plastics users have welcomed the changes, which cut the top tariff from 45 per cent to 15 per cent over a three to five-year period from next February. But pro-

from next February. But producers are unhappy.

The decision is significant because it has been made by a Labor Government worried about jobs as it heads for a rate of 45 per cent to 15 per cent is high-density polyection action to cut tariffs protecting soda duties are to be slashed from 40 per cent to zero or 2

wear industries.

The chemicals and plastics industry is estimated to have a combined turnover of A\$10bn (£4.4bn) annually, and accounts

rationalisation accompanies the latest changes but the Government hopes its decision will bring increased investment and activity with a

net gain in employment. The main thrust of the new policy is to reduce tariff levels to a maximum long-term rate of 15 per cent. General rates on basic chemicals will be cut to 10 per cent or lower over five years to 1992.

Rates below 15 per cent on finished and intermediate goods, however, will be lifted to 10 or 15 per cent from January 1988. Such affected items include nylon and arrylic goods.

per cent.

Meanwhile, in a separate but industry is estimated to have a combined turnover of A\$10bn (£4.4bn) annually, and accounts for some 10 per cent of manufacturing employment.

Job losses are a certainty in Meanwhie, in a separate but related development last week, the Government said it would establish an anti-dumping tribunal to monitor the import of goods at less than their proper value.

# It will take time for 20m citizens to appreciate their rights, Bob King reports Taiwan looks to future without martial law

AN OLD MAN remembers among the population, going down to the harbour in Despite heavy damage to the 1945 with hundreds of his island's industry and infra-Japan and returned Taiwan to

Chinese rule. The excitement turned to

Far from the cultured beings they had expected, the ships contained the dregs of Chiang Kal-shek's forces on mainland liability was questionable.

saw them," the old man said. market.
"Their uniforms were ragged, The their manners were terrible. They looked like country bump-kins. A lot of them acted like they had never even seen a bicycle before."

Thus began Taiwan's asso-ciation with the Chinese from got better last month, when the Nationalist Government lifted martial law after nearly 40

The Chinese from the mainland were compared unfavourably with their earlier Japanese
conquerors by the Taiwanese. In Japanese had built transport networks, brought in
industry, and introduced more
universal, if basic, education. Their strict laws ensured public
order and a law-abiding spirit

Nationalists set about trying to
exile through such means as
conquerors by the Taiwanese. Iand reform. But in 1949 Chiang
also declared martial law.

Most personal rights guaranteed by the 1946 constitution
were suspended, and remained
order and a law-abiding spirit month that the Communist

fellow-Taiwanese to welcome structure from Allied bombing the Chinese who along with during the war, Talwan's indus-their allies had just defeated try and standard of living in 1945 ranked far ahead of that in China.

dismay as the troops dis-embarked. pation forces and the Tai-The relative wealth created wanese. Although some tales undoubtedly apocryhpal, people have related how soldiers invaded classrooms and robbed Kai-shek's rorces on mannatur vanco classrooms and tooses.

China: soldiers who could not students; while others insist be counted on to fight when attacked, officials whose relike a private fiefdom, stripping iability was questionable. it of its wealth and goods to "We were shocked when we sell on the mainland black

The abuses culminated in what are known as the 2-28 incidents; when a planned delivery of a petition of grievances to officials in 1947 turned into a bloodbath. Survivors recall seeing the dead stacked up at the railway station and others tell the mainland and things were of people killed or maimed at to get a lot worse before they random by maddened troops. When Chiang Kal-shek him-self arrived in 1949 with some of his more reliable supporters, things began to improve. The Nationalists set about trying to popularise their government in exile through such means as land reform. But in 1949 Chiang also declared martial law.



rebellion and the presumed

Talpel's decision to lift martial law by saying that "in fact it should have been removed long ago," Bob King reports from Taiwan. The Foreign Ministry statement claimed the authorities

had used martial law to "control and suppress the ordinary people of Taiwan under the pretext of resisting Peking also noted that

Taiwan plans to draft legisla-tion to incorporate some parts of the military previsions of mariial law, and thus did not predict what the ultimate effect would be.

threat to the Government had

of basic rights on the grounds of national security. But the most serious threat ended.

Over the past four decades martial law has helped the most serious threat the past few years the Government and the people have inside the insland itself, and sincited disaffection among the people and has helped produce an image of Taiwan as just another "banana republic."

Although the last hostilities between China and Taiwan took place in the 1950s, Nationalist hardliners have

But the most serious threat the past few years the Government and the people have lossened up considerably—which the decision to repeal martial law firmly underlines. It will take Taiwan's citizens some time to appreciate what has just been dropped in their responded to its critics by abandon the cage they have occupied for many years simply because the door is opened. Nationalist hardliners have tinely try and convict civilians, mutil recently been able to persuade decision makers, as well as many of the 20m Talwanese that the threat still exists, and to justify martial law's limiting on a visit "fell" from a build-legislation is implemented.

dered the six-year-old twin daughters of a prominent dissident while he was in jail awaiting trial on sedition PEKING has responded to charges. Two years ago gangsters acting on orders from the head of Taiwan intelligence murdered a Chinese-American

author and journalist in the US. Censors still regularly black over the simplified Chinese characters now used on the mainland whenever they appear in foreign publications circu-lating in Taiwan, and reporters and editors at major publications know enough to censor themselves on certain sensitive

It is not as bad as it used to be, when publications that even mentioned China were confiscated and few people dared to discuss either Communist or Mr Saturnino Ocampo and Taiwanese dissidents except in Mr Antonio Zumel, two comslogans condemning them. Over munist negotiators, said they the past few years the Govern-ment and the people have loosened up considerably— which the decision to repeal martial law firmly underlines.

not affect people's lives

Military courts however routinely try and convict civilians,

and security agents have

coccupied for many years sumply occupied for many years sumply years y

studies rebel truce offer

Aquino

PRESIDENT Corazon Aquino's Government was yesterday closely studying an umprece-dented 100-day ceasefire offer made yesterday by Philippine communist rebels, Reuter re-ports from Manila.

A presidential palace source said Mrs Aquino, who has actively pursued peace efforts since coming to power in February, had not commented on the truce offer.

Mr Joker Arroyo, presidential executive secretary, said the Government's peace emissaries would discuss the rebel offer with other officials before the palace makes known its post-

tion. were ready to implement the truce from Decembr 10, which is International Human Rights Day. But they laid down several conditions for tem-porarily ending hostilities.

These include disarming the

These include disarming the Government's paramilitary units, confining police to peace-keeping functions and dismantling private armies and death squads.

Mr Juan Ponce Enrile, Defence Minister, has attacked Mrs Aquino's soft approach towards communist rebels who have been fighting the Government since 1969.

# SHIPPING REPORT

# **Tanker market confused** by Yamani's departure

THE REPLACEMENT of Sheikh Ahmed Zaki Vamani by Mr Hisham Nazer as Seudi Arabian Oil Minister threw the tanker market into confusion at the end of last week, and brokers said prices would continue to move erratically until conidence returned.

Ironically, the upset in the market occurred just as an increase in activity was beginning to make some increads into the surplus of available tonnage waiting to load in the Gulf.

E. A. Gibson, the London

L. A. Gibson, the London shipbrokers, said about 14 to shipbrokers

rates of rather less than 20

previously.

Some increase in rates was also reported for medium-sized tounage of around 130,900 deadweight tounes, with the market reaching Worldscale 37.5 for discharge in the US and Worldscale 40

for Europe. There was rather less activity in the dry cargo mar-kets, which has been affected by the recent weakness in the

tanker market. Brokers said rates for shins

Brokers said rates for ships in the range from 100,000-125,000 dw tonnes were up to 20 per cent below the levels of a month ago.

Time-charter rates for Panama sized ships — the largest vessels able to pass through the Panama Canal—

# Press release.

14th September, 1986.

Magnapix has today announced the release of their latest film, "Giving and Taking". A block-buster of a love story set in wartorn Europe, it's directed by William Healey and stars Jim Roberts, Philippa Baldwin and Karl Kretschmar-Schuldorff.

Based on the best-selling autobiography of Belinda Ballantyne, "Giving and Taking" tells the story of a young Englishwoman (played by Baldwin) who is married to a German (Kretschmar-Schuldorff). When war breaks out, he is drafted and eventually sent to the Russian

WWW2 Heroism.

During the years to come, Baldwin has more to cope with than three children; the Allied bombing, the neighbours' hostility and the authorities' suspicions. She also meets, and falls in love with, a Canadian Intelligence officer masquerading as a Swiss cultural

When Rretschmar-Schuldorff loses his legs to a partisan's grenade and is sent home, he begins to suspect that Baldwin is having an affair. But that is only half the truth - she is also actively engaged in helping Roberts with his espionage work. Whilst under the influence of home-made schnapps, Kretschmar-Ldorff confides his anguish over his wife's infidelity to a

neighbour, who is, unfortunately, an informer (played by the great old character actor, Tim Baynes). Baynes discovers that Roberts is a spy, and informs on both him and Baldwin.

Self-Sacrifice.

Confronted by the hurt and angry Kretschmar-Schuldorff, Baldwin and Roberts confess their anti-Nazi activities, just as the Gestapo arrive outside their apartment building to arrest them. Kretschmar-Schuldorff, in order to distract the Gestapo and give Baldwin, Roberts and the children time to escape across the roof, drags himself over to the window and throws himself out.

In a recent interview on the set of his next film, William Bealey, the director, spoke at some length about "Giving and Taking".

"I think what first attracted me to the story was the sheer scale of the human sacrifice involved. First, you have old Kretschmar—Schuldorff defending his country, although he disagrees with the policies of the Nazi party. Then Baldwin and Roberts risking their own-lives to spy for the Allies. And finally, of course, Kretschmar—Schuldorff making the ultimate sacrifice, for his wife and the man who had stolen her love."

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# Northrop to fighter deal

**General Dynamics beats** 

GENERAL DYNAMICS has prototype of the next generation besten Northrop to a bitter and of combat aircraft which North-

ocaten Northrop to a unter and or compat aircraft which Northrop 270 fighter aircraft to the US with McDonnell Douglas.

Air Force for more than \$3.5bn

(£2.4bn). As a consoliation prize, Northrop was awarded a design study for a fighter to state awarde in the 1906 prize and Repairs of Lockheed, General Prize and Region Control of Compat aircraft which Northrop will design in conjunction to compat aircraft which Northrop will design in conjunction to the McDonnell Douglas.

The Péntagon will chose between it and a competing model to be designed by a feam conjunction to the compating of Lockheed. General which Northrop will design in conjunction to the compating of the compating design study for a fighter to come into service in the 1990s. Dynamics and Boeing. Proelectronic pentagon cut costs by duction contracts ultimately eleosing an upgraded version of worth some \$35bn will go to the discrept rather than the new F.20 which Northrop had decision could mean the end of the F-20 programme used by all 11 Air National could man the life to the fighters. The fighters to be used by all 11 Air National could man in the IIIs are end of the F-20 programme used by all 11 Air National which was Northrop's ill-fated Guard squadrons in the US, are afternot to produce an inexpenintended to defend the country sive modern fighter which would against incoming enemy bom

appeal to air forces around the bers.

The updated aircraft in turn world. It has yet to attract a The updated aircraft in turn haver.

Many features of the F-20 sent squadron by new F-16C aircould be used, however, in the craft at a cost of around \$3bn.

# The bare facts.

# All dressed up.

At a brief glance, these two sheets are very different. The one on the right looks worthy of closer EVERGER, the Dutch aircraft ports saying that the order manufacturer, said it was near amounted to 40 F-100s with options on a further 60. He would not give details before a F-100 fapiet aircraft, adding inspection — it appears to have interesting information to convey. Whereas you could be forgiven for conveying the one on the left to the rubbish bin.

Of course, they both say exactly the same thing. But it's the way they say it that makes the difference. And the "well-written" one was composed on the Apple™ DeskTop Writer System.

> An integral part of that system is the software known as Microsoft Word™ This is what allows you to use various typefaces, in different styles and sizes. It enables you to insert footnotes and

headers in your document. It paginates the entire document by itself. And used in conjunction with other software, it permits the inclusion of graphs, illustrations and spreadsheets.

But those are just the technical facts. More importantly, it helps you

communicate your ideas in a clear and compelling fashion. Whether they be contained in a presentation, a brochure, a newsletter, or a humble memo. And if you use Apple's LaserWriter™ to print out your work, you'll have an artwork-quality piece.

You can buy the Writer System now at the special price of £2,995 — a saving of £470 off the list price. Then you have a choice of printers: either the ImageWriter II™ or the LaserWriter.

If you'd like to try it out

first, a Test Drive is easily arranged. For more information, post the coupon, dial 100 and ask for Freefone Apple, or contact your local Apple Dealer.

Name	<del></del> -
Company	<del> </del>
Address	
	Postcode
Blephone	FT/3/11

The power to succeed.

Apple, the Apple Logo, Imagel Writer II and Laser Writer are trademarks of Apple Computer Inc. Word is a trademark of Microsoft Corporation. Machinish is a trademark of Microsoft Laboratory Inc., and is being used with the express permission of its owner.

# Fokker near end of talks for F-100 fanjet order

manufacturer, said it was near manufacturer, said it was near manufacturer, said it was near for a large oxder for its new E-100 fanjet aircraft; adding that its E-50 propjet model was also being considered for a farther order, Reuter reports from Amsterdam.

A Fokker official said nego-tations for a firm order of an inspecified number of F-100s with further options were being with further options were being with further with Guinness Peat andertaken with Guinness Peat avian A divistion of Ireland, the aircraft division of Ireland, the aircraft studied ATR-42, Lapanese Mitsubishi Trust and France's Ireland Control of Contro Panking Corporation.

The Folder official declined Scania's Saab 340 model, he comment on Dutch media re-

Wednesday.
In London, a Spectrum Capital official said it was hoped the three parties would sign a con-

Other alternative airliners being studied by SAS were the ATR-42, produced jointly by

# World Economic Indicators

INDUSTRIAL PRODUCTION

(1980 = 100)

		·			OVET
	Sept. 86 115.3	Apg. 86 175.2	July 86 115.0	Sept. 85 114.4	year +0.8
ernery:	Aug. 86 110.4 105.2 102.4	July 86 109.8 108.1 103.1 79.0	June \$6 107.5 109.6 101.4 102.7	Aug. 85 108.1 103.4 101.4 97.4 July 85	+2.1 +1.7 +1.0 +0.2
	July 86 122.3	June 86 122-5 194-2	May 86 172.1 100.7	124.7 101.7	-1.5 +3.0

S IR RICHARD EDWARD GEOFFREY HOWE, Her Majesty's Principal Secretary of State for Foreign tary of State for Foreign and Commonwealth Affairs, is one of those fortunate people who appear to be entirely happy in their job. After a back-breaking schedule, including the Queen's visit to China, an EEC-Asean meeting in Jakarta, the diplomatic row with Syria, and a gruelling session of European Community foreign ministers in Luxembourg, all within the space of about two weeks, Sir Geoffrey was still in a bouncy mood.

Fatigue had not dented his customary affability nor affected his sharp sense of humour. "It's well known that I don't need as much sleep as the generality. I can get by on a long run of four to five hours a night." and to prove it, out came a little juridical joke in Latin, explained without the least condescension to his less erudite visitor.

There can be little doubt that he prefers being Foreign Secretary to his previous job of Chancellor of the Exchequer.
"I think its the greater variety, "I think its the greater variety, the greater exposure to surprise, which is not as comfortable as it sounds. One of the things about Chancellors is that almost everything forms part of a seamless web and, if you adjust the deposits on hire purchase contracts in Cardiff, you end up having consequences on income tax rates in Carlisle.

"In foreign affairs, although

"In foreign affairs, although there are greater coherences, there are great unpredictables and suddenly something hapann suggestly sametimes happens in a corner of the world
about which neither you, nor
anybody else has been thinking
for a long time and which has
interest as well as shock value."
That taste for the unexpected
and adventurous may come as

and adventurous may come as a surprise to many people who tend to see Sir Geoffrey as an intelligent, honest and very anteligent, nonest and very capable statesman, but hardly as an exciting politician. Whatever the high esteem be is held in by his colleagues at home and abroad, his officials and journalists who know him well, the Foreign Secretary appears to have a problem in projecting himself to the public on the TV screens

When this is suggested to him, he bridles in uncharacteristic fashion. There is a kind of self-repeating, self-ful-

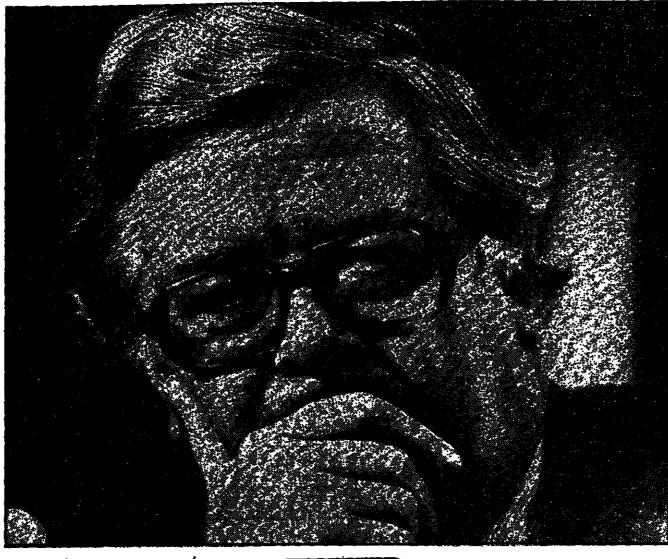
kind of self-repeating, self-ful-filling 'public perception,' which is based upon an endless repetition of old press cut-tings," the impertinent sceptic is told.

"My impression is that the public, whether one is meeting them in constituency gather-ings, in factories around the country as a Cabinet minister, or party conferences, react to

Arrogance is one thing of
which Sir Geoffrey certainly
cannot be accused. His unfailing courtesy and consideramers. Mr Andrei Gromyko, the which extends even to those table, who have been rude to him.

native Wales that these unsus-pected qualities are particu-larly in evidence. "I think that, York, the Foreign Secretary in political terms, the thing I waited until coffee came round

oeing. he would not switch to "auto'When I fought my first two speak."



INTERVIEW

# Never say no

Sir Geoffrey Howe's taste for the unexpected and adventurous

may come as a surprise to many, writes Robert Mauthner

elections in 1955 and 1959 in my home seat of Aberavon, going round the mining valley "My impression is that the going round the mining valley public, whether one is meeting and steelworks that were part them in constituency gatherings, in factories around the country as a Cabinet minister, or party conferences, react to concellors or whatever, friends of my father's who had been affection and responsiveness, which is totally belied by this bizarre self-fulfilling press cuttings book."

Arrogance is one thing of the constituency in those days, everybody who met me, whether they were Labour concellors or whatever, friends of my father's who had been affection and responsiveness, which is totally belied by this bizarre self-fulfilling press cuttings book."

We were delighted to be on that basis."

We were delighted to be on the best interest in people

tion in his dealings with sub-former Soviet Foreign Minister ordinates and the world in who is now his country's Presi-general are matched by a dent, was, by all accounts, a genuine and infectious human most forbidding gentleman to warmth and understanding, meet across the negotiating

Yet Sir Geoffrey seems to find It is when he talks about his him almost endearing and has value about Wales and the after lunch before raising the Welsh background is that it delicate question of human always has been a genuinely rights. "Now, what about the always has been a genuinely rights. "Now, what about the more classless society than case of Sakharov?" Sir Geoffrey many people present England asked Mr Gromyko, hoping that

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THE ECONOMIC BASE

country. Low overheads,

establish themselves in

surroundings in the

'Sakharov Sakharov? that is or do you get the next plane the Russian word for sugar. No, or what?

Sir Geoffrey describes the qualities needed by a Foreign Secretary as a mixture of patience, judgment, good humour and toughness. He has needed them all in equal quan-tities in recent months, particu-larly during his tour of southern Africa last summer.

its policy in front of the ass bled British and local Press in Tarsaka?

The thought had crossed his

highly motivated

none.

workforce and an

environment second to

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mind, he admits. But he re-membered a story from the cultural revolution in China when diplomats frequently walked out of receptions. "On one occasion an Iron Curtain diplomat was so affronted that he made a determined dash for the door. He pulled aside some curtains to make his exit only to find a wall in front of him. It was profoundly humiliating. It's

**Ecould change your life!** 

"He scowled at me and said: hang around on the doorstep, President Botha)."

sion (to southern Africa) was that more people were im-pressed by one's patience in face of what was said than would have been by storming out for the sake of a moment's

leaders, has left a deep impression on Sir Geoffrey. In spite of the humiliating rebuff he or the humilating reban he received from the Pretoria leadership, Sir Geoffrey still speaks more of disappointment than bitterness and refuses to look upon his visit as a waste

"I was disappointed, pro-foundly disappointed by the inability to understand the committed basis of would-be friendship from which I was presenting that case. It was depressing to find such a barrier all very well walking out, but of incomprehension at the end what do you do next? Do you of tw quite long meetings (with

In the end — and that is his great strength as a political leader — Sir Geoffrey came out of the South African affair with his reputation enhanced
"I was amazed and moved by the number of people who wrote to me from all corners of the country saying how much they valued what I had been trying to do."

larly during his tour of the whole southern Africa last summer.

Why did he not walk out of the European Community to the changed his mind on the fundamentals since the near-breakthrough achieved by President Reagan and Mr Gorbachev in Revkiavik last month.

"What happened in Reykjavik, I think, probably startled the participants as much as anybody else. Whether either of them went there expecting to cover such a huge agenda so close to a set of conclusions, I don't know. "I don't believe that we are

near the point, or that we should be near the point, where nuclear weapons are dis-carded on all sides.

"It would be marvellous to think in terms of a world free of nuclear weapons, free of all weapons. My son is press officer for CND and I don't question his good faith, his integrity and his sense of vision. But I think in the real world, peace has been secured by the deterrent and will, for the foreseeable future, depend on it.

"I think that Reykjavík offers a better chance than we had before of making a breakthrough on strategic weapon reduction short of abolition and I think that the chances of an agreement on intermediate-range nuclear forces (INF) are also advanced rather than retarded. But the basic deal will, I think, be made on the fairly traditional framework estab-ished before the summit."

Sir Geoffrey is never mor the diplomat than when he disthe diplomat than when he dis-cusses his own future and poli-tical ambitions. Anybody who has occupied the Cabinet posi-tions he has held over the past 15 to 20 years should be con-sidered for the highest job in in politics, he says cautiously. "Hopefully, that is true in my

"If the opportunity of hold ing the top job were to come along, one would never say 'no' to it. I don't, myself, see it as being very likely and I'm perfectly content to go soldiering on in some extremely interesting and rewarding

Personal file

1926 Bern in in Port Talbot an; educated at Win and Trinity Half

1945-48 Lieutenant, Royal Signals.
1952 Called to the Bar, Middle Temple.
1953 Chalrman, Bow Group.
1964 MP for Rebington losing the seat in 1966.
1970 MP for Religate (Surrey East since 1974); Solicitor-General.
1972 Minister for Trade and Consumer Affairs (to 1974).
1974 Director, Sun Alliance and AGB Research (to 1979), EMI (1976-79).
1979 Chancellor of the Exchequer.
1983 Becomes Foreign Secretary after Mrs Thatcher's second election victory.

# Radical chic and the new racialism

HE QUESTION increasingly thrown at the white majority in Britain is this: on what basis can "brotherhood" between people of different races but of the same nationality be constituted?

The case of Brent Council, in London, illustrates this, at least in part. The suspension of Mrs.

in part. The suspension of Mrs Maureen McGoldrick, the infant school head teacher, for an alleged racist remark, sprang from the council's officially from the council's officially adopted view that racism, residing as it does in people's attitudes, must be resisted in attitudes—in acts of omisison as well as commission, in "body language," even. It was in Brent that Maureen Geldman, a Tory councilior, was accused of implicit racism inherent in body language when she body language when she shuffled her papers and looked at her watch during an inter-view with a black candidate.)

Brent has made explicit and official what has been a grow-ing feature throughout much of ing reature unroughout much of the race relations industry, and in such projects as "racial awareness" training courses: the assumption, unstated in Brent's case but often stated in the content of such courses, that racism is more or less endemic in whites and it is what they feel specifically about they reel specifically about blacks— among whom are included people of origins as various as African, Afro-Carlbbean, Indian, Pakistani, Bangladeshi and Sri Lankan. Racism is seen to be a white problem; blacks are the victims

This dictates a certain organisational style: in Brent, it means that at least on certain occasions, attitudes are under a careful scrutiny. It also dic-tates a certain cultural style: among blacks and whites who accept the ideology of radical anti-racism, it means a suspicion anti-racism, it means a suspicion of the majority of whites as being, at least potentially, racist — that is, willing ultimately to discriminate against blacks and probably harbouring views of them which see them as intellectually or culturally inferior.

Practically, this has meant a stressing of a separate black identity and culture, a rejection of the notion of "brotherhood" seen as defined in white terms various privileged strata of — that is, condescending or British life, much as the surplus racist. Far from the issue of the wealthy is held to race being played down for the trickle down to the poortiske of a liberal-progressive these strata still have large portion of common humanity it manufactured by notion of common humanity, it enough, mainly informal, bar-is played up to make it quite riers to put before most whites:

JOHN LLOYD

clear that white cultural assumptions of this order are bent on submerging or colonialising a separate black identity. Such a view, for example, lies behind the ban placed by local authorities like Lambeth and others, and endorsed by a powerful group. dorsed by a powerful group within social work, on the adop-tion of black children by white

The theory and practice of this replacement of the old progressive notion of brotherhood with one of coultural separatism.

The latest figures, from the 1984 Labour Force Survey, showed that among young adult men (16-24), 20 per cent of whites are out of work, 25 per cent of those of Asian origin and 40 per cent of those of Afro-Caribbean origin, A local example: in Bradford only 7.5 per cent of 16-year-old Asians find work compared with 32 per cent of whites.

Only same 3 per cent of

cent of whites.

Only some 3 per cent of whites live more than one to a room: but 16 per cent of Afro-Caribbeans and 35 per cent of Asians do. A Home Office study of 1981 showed that Asians were 50 times more likely to suffer from racial attacks than whites, while Afro-Caribbeans were 36 times more likely to. The central source for these indices is Colin Brown's Black and White Britain (Policy Studies Institute, 1985).

The argument that immigrants,

The argument that immigrants, especially from poor countries, are bound to start at or near the bottom of the labour market and the social structure is a reasonable one: but it is not capable of infinite application, to be visited upon their sons and grand-daughters. Nor should it he seem as a descripand grand daugners. Nor should it be seen as a descrip-tion of a benign process where-by members of ethnic minority groups "trickle in" to the

ew blacks can hope to fare

racial tensions worsen? Probably—but perhaps not to the point of an Enoch Powell prophecy. Professor John Banks of the University John Banks of the University of Washington in Seattle has identified four "phases" of ethnic minority involvement in a country which was, for their forebears, a colonial (as the UK) or an internally oppressive (as in the US) power over them. First, once the host community" passes out of the long munity "passes out of the long with the conversion, if recognish numity passes out of the long night of oppression, it recognises that reforms must be made, and creates rising expectations among people initially fearful and defential.

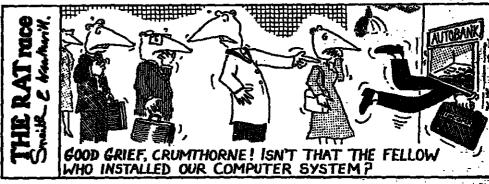
Second, ethnic polarisation

causes those who remain wedded to it some pain — which is precisely what is intended, under the assumption that white pain means racism confronted. And the underpinning of that assumption is black pain, or indignation, over the fact of discrepancy of the water than the majority community, who The indices of deprivation have been well publicised, but are now well known; here are some random examples.

> Third, once the search for a one cause explanation, is seen to fall, many from all communities search for multi-cause explanations, and increasingly recognise the need for dialogue and mutual change. Fourth, the reforms become institu-tionalised: other (non-ethnic) groups press their case: the issues of race come to be seen, in part, as the more familiar ones of, for example, social class, or low pay, or bad hous-

ing. It is not a deterministic structure and elements of all phases can be simultaneously present and it was, after all, developed in the quite different national culture of the U. But it commands respect from, for example, Peter Newsam, chair-man of the Commission for Racial Equality. It points to a possible dissolution of tension.

Most of all, those who still
cleave to a belief that Burns
was right, and that his ideal
need not be one which in real life means a papering over of real inequalities with hollow frateracty, can see in the development Banks proposes a port. We need no reminder in this century of how murderous a force mobilised racial hatred can be; but that it is not endemic, incluctably under or on the skins of every one of us, is a faith still worth preserving which no evidence to the con-



# No go area for courts

ITH the inaugural meeting of the Administrative Law Bar Association in London last wek, administrative law can be said to have come of age. As with other branches of the law, its substance is often found in its procedure, especially the intri-cacles of judicial review, the growth remedy of the past de-

In his speech to the Association, Lord Justice Woolf said tion, Lord Justice Woolf said that the time had come to take stock. Judicial review would not be fulfilling its purpose if it failed to protect the citizen who was in real need of protection. But undue interference by the courts with public bodies would not be in the public interest. interest.

The Court of Appeal's decicision last week in Regina v Oxford, Ex parte Levey (The Independent Law Report October 30th 1986 The Times

parked his car in Wavertree Road, Liverpool, and left it locked but unattended, to visit a jewellery shop. While he was talking to the owner of the shop, three masked men smashed one of the car's windows and stole a briefcase which contained £12,000 in cash, jewellery to the value of £22,000 and a watch valued at £5,500.

A traffic constable in a police vehicle pursued the thieves and their getaway car. The chase was abandoned when in Granby Street in the Toxteth area the constable encountered a group of 50 youths armed with iron bars, stones, bricks and pieces of railing who blocked that street. The duty officer in the police control room to whom the constable reported the situation on the radio ordered him to abandon the chase. The reason for this order was a concern for the constable's safety.

The Chief Constable of Liver-pool had adopted a policy of



of policing based entirely upon foot patrols were appropriate. As a matter of routine, traffic division and operational support division patrols were excluded

It was a controversial policy.

In December 1985 the Queen's Bench Divisional Court heard and dismissed Mr Levey's substantive application for judicial review, for two reasons.
One was that he did not have Law Report November 1st 1986) illustrates vividly the difficulties and problems to which Lord Justice Woolf alluded.

On August 2, 1985 Mr Levey application for judicial review.

We relevant rules for application for judicial review.

We relevant rules for application for judicial review. Mr Levey was claiming that the conduct of the Merseyside police had diminished his chances of recovering the property stolen from his car in Wavertree Road. The Court of Appeal, more realistic than the Divisional Court, recognised that he did have a special and sufficient interest in the subject-matter of his application. matter of his application.
But if judicial review is con-

duties established by public law, why should not all members of the public be entitled to apply to the Court? This aspect of the procedure should be reconsidered and responded to the procedure. should be reconsidered and revised.
The Divisional Court's second

reason for dismissing Mr Levey's application for judicial review was based on its view of the merits.

After the getaway oar was found, forensic scientists were unable to discover any evidence.

The Divisional Court decided that Mr Levey failed to show the police act as that the Chief Constable's masters of the law

policy for Toxteth was un-reasonable or wrong or that implementation of that policy was in neglect of any of the police force's duties. The Court of Appeal reached

the same conclusion. The argument for Mr Levey was that in adopting and pursu-ing a special policy in Toxteth the police were applying differ-ent and lower standards to that area than elsewhere and there-fore in breach of their duty to enforce the law evenhandedly. The Court of Appeal ruled that this argument confused the

propriety with the effective-ness of a policy of policing. The duty of the police was to keep the peace and enforce the law. The courts had the jurisdiction and readiness to intervene by appropriate orders if it was established that the police were failing in their

But chief constables had the widest discretion in their choice of methods of discharging this or methods of discharging this duty. If a police officer found that his chosen methods were ineffective, he was under a duty to reexamine them and consider what change in policy was necessary. A single or several incidents did not automatically demand are well. matically demand any such re-examination or change.

It was not for the courts to review a Chief Constable's choice of methods so long as he

did not exceed the limits of his discretion. Only in rare cases would it be possible to make a convincing prima facie case of breach of duty.

The Court of A rulings Indicate that proceedings are not always an appropriate method of ventilating, discussing or deciding a

This is not a charter of police unaccountability to the public. Nor does it mean that policies of policing are not open to public scrutiny and discussion. It merely means that by the nature of their procedure the courts and the judges have limited scope for ensuring that the police act as servants not

# **UK NEWS**

# \* World airlines 'heading for net operating loss'

THE MAJOR world airlines are likely to incur a net operating loss on their international scheduled profit after international scheduled services which is a service which services during the current year, compared with a profit of \$200m in

Mr Gunter Eser, director general of the International Air Transport Association (lata), representing 144 major airlines, will warn them at the association's annual meeting in Montreux today that the prospects for the current year are not

His annual "state of the industry" report declares that in the first seven months of this year, capacity (the number of seats offered for sale) was still being added to the airline system at a rate far in

excess of actual traffic growth.

At the same time, load factors (the amount of capacity schally sold) continued to fall.

"Traffic on the North Atlantic route suffered from a combination of reaction to terrorism, the effects of the Chernobyl disaster and the falling dollar. After allowing for interest charges, a net operating loss is foreseen for lata international scheduled services in 1988.

The total system-wide (interna-tional and domestic, scheduled and charter services) result for all the

Minister seeks

more trade

By John Hunt

their unions.

union reform

MR Kenneth Clarke, the Employ

ment Minister, indicated yesterday

that he would like to see further

legislation to give trade union mem

bers a bigger say in the running of

The success of our policies to date convinces me that we should

now think carefully whether the

time is right to take the process a

It was not enough for Conserva-tives to congratulate themselves on

the Government's record of union

reform. They still had a long way to

go to secure better industrial rela-tions.

They had to build on that prog-

ress and make it clear that they had

a vision to shape policies on trade union reform in the fature.

stage further," he said.

vices accounted for \$200m

This was the third year in succession that the airline industry had achieved a profit, following the heavy losses during the recession years of the early 1980s, but Mr Eser stresses that the net results "have been diminishing, and are or delayed in transit - enough to still well below the levels needed to revolutionise the industry's overall finance future development."

He points out that by the mid-1990s, the Ista member airlines will need to acquire at least 4,000 new aircraft, of which some 1,800 will be needed to replace existing ageing aircraft.

With spares and other fixed assets, the investment required will be between \$150hn and \$200hn, inchiding some \$100bn for international scheduled services."

premium rates on aircraft have ristional scheduled services."

The industry, he says, is still a long way short of being able to finance investments of this order. Pre-tax profits are running at only about 1 and 2 per cent of revenues, considerably below the minimum level required to finance major new

equipment investments. cial difficulties is the continued in that organisation.

PRUDENTIAL-RACHE Securities, part of the Prudential Insurance Corporation of America, has

emerged as the key institution be-

hind the proposed £156m manage-

ment buy-out at printing group

If successful, the deal, which has

been formally backed by the McCorquodale board, will be the

biggest UK-based management

buy-out. It is also the first major

move by Pru-Bache in the UK and

follows the arrival two months ago

of Mr John MacArthur, former de-

puty head of corporate finance at Kleinwort Benson, as chairman of

Plans for the buy-out completed

last Saturday morning, were first

suggested three weeks ago by Mr

its merchant banking division.

McCorquodale plan

comes into its own By David Churchill many countries, especially in Africa and the Middle East, decline to al-

low the airlines to take away. Although efforts over the past, year have enabled the airlines to recover about \$600m of this money. there is still some \$816m locked up financial situation if allowed to be

In the Middle East, the total amount outstanding for six Arab airlines is about \$280m, and efforts are being made to resolve this prob-lem in conjunction with the Arab Carriers Organisation.

The airlines' costs are also rising in other directions. Insurance per cent while some airlines have faced rises of more than 50 per cent in liability rates. "Furthermore, most airlines have had their cover reduced in one form or another."

This has led the airlines to set up wel required to finance major new quipment investments. their own insurance company, Air-line Mutual Insurance, and airlines are now being asked to participate

It is designed to fend off the hos-tile £145m bid from Norton Opex,

which had been due to close this

The buy-out is led by Mr John Holloran, McCorquodale chief ex-

ecutive; Mr Simon Williams, head of the US operation; Mr Nick Her-oys, finance director; and Mr Geoff Dee, company secretary. The four men are personally raising £300,000

(Mr Holloran has remortgaged his

house) out of a £1m management stake, with the remaining £700,000

coming from the top 26 executives.

This "sweat equity" stake will represent a disproportionately

large 5 per cent of the equity. A fur-

ther £33m equity is coming from buy-out specialists, Electra and Globe investment trusts, and Cand-

over Investments.

This new British style of cook-ing can be identified in four dif-ferent ways • A revival of some of Britain's traditional puddings, such as bread-and-butter, jam roly-poly, Pru-Bache is behind

Cuisine

**Anglaise** 

A REVIVAL of British cooking in

ever the past year is about to mut

British cuisine on the interna-tional culinary map and may spell the end of nouvelle cui-

sine in the UK, claims the latest

edition of the Good Food Guide

When even a year ago there

seemed to be no sign of a national cooking with its own identity,

suddenly here it is," reports the guide, published by the Consum-

ers' Association and Hodder &

end of rationing (after the Se-tond Warld War), British cooks are producing British dishes that bear comparison to the major cuisines," it says.

The guide's author, Mr Drew

Smith, comments that British cooks have "come out of the

French shadow and the all-em-bracing, Gallic-inspired influ-

ences of continental cuisine."

"For the first time since the

published today.

surants throughout the UK

aread-and-outer, jam rely-poly, and treacis tart.

Seasonal and changing memus depending on market supplies.

Heavy reliance on vegetables.

Cheeseboards with the new farmhouse cheeses, such as Cotherstone, Satterleigh and Swaledale.

The guide lists more than 198 restaurants where this new-style British cooking can be found and lists 190 others which might fulfil some of the criteria.

One feature of the new British cooking, Mr Smith points out, is that far from emulating the high prices of French restaurants most places have managed to keep prices below £20 a head. "At this time of inflationary restaurant prices, this is commendable," he says.

Good Food Guide; Consumers Association and Hodder & Stoughton, £9.95. Available, post free, from the subscription de-partment, Consumers' Associa-tion, PO Box 44, Hertford, SG14 1SH, England.

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# Company Notices

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LOTHIAN REGIONAL COUNCIL Tenders are invited for the supply, delivery, installation and commissioning of:

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Return Date: 5th December 1986 Tender documents are available from the Director of Finance, Lothian Regional Council, Central Purchasing Unit, Springwell House, Ardmillan Terrace, Edinburgh EH11 2JL. Tel: 031-337 8541. The tenders should be returned intact by the specified date and in the official envelope provided to the Regional Secretary, Lothian Regional Council, Regional Headquarters, George IV Bridge, Edinburgh EH1 1UQ.

Art Galleries

Clubs

# Kleinwort Benson

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Hon Corporation and the street Johannesburg, we all Street Johannesburg, we 1985 at 10830, are are, GENCOR (U.K.) LIMITED Landon Secretarie: Rainty

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In accordance with the provisions of the Notes notice is hereby given that for the interest period from October 31st, 1986 to November 28th, 1986 the Notes carry an interest rate of 6½ per cent per annum. The interest payable on the relevant interest payable on the relevant interest payable on the relevant interest payable on the No. 24 will be US\$46.67 per US\$10,000 Note. Agent Bank, Chemical Bank

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The Fiscal Agent

# Personal

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# **UK NEWS**

# Government 'on course to reach 25p tax goal'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

27p next year and to achieve its long-term goal of a 25p basic rate in 1988, the London Business School

A weakening trade position sug-

Tax cuts and a strong improve-ment in Britain's export perfor-mance are expected to stimulate stronger growth in the economy stronger growin in the economy over the next two years, with output rising by 3 per cent in 1987 and by slightly more in 1988.

The LBS predicts, however, that the pace of growth will not be enough to bring down unemployment and that the consumer boom will continue to suck in imports.

THE GOVERNMENT has scope to current account of the balance of cut the basic rate of tax from 29p to payments is likely to go into deficit

forecasts today.

The cuts, however, would be at the expense of tax control of public borrowing and a worsening of Britain's trade position, the independent forecasting organisation says that it does not expect Mr Nigel Lawson, Chancellor of the Exchequer, to forgo the opportunity for tax cuts ahead of the next generation in Britain's export performance in Britain's sexponding and a worsening of Britain's trade position suggests that the Government should expense to reduce its public sector borrowing requirement, but the LBS says that it does not expect Mr Nigel Lawson, Chancellor of the Exchequer, to forgo the opportunity for tax cuts ahead of the next general election. The Cuthook also assumes significant overshoots in public spending ahead of the election. public spending ahead of the elec-

> Turning to inflation, the Outlook forecasts a steady increase in the pace of price rises but is optimistic that a fall in the level of wage set-tiements will provide a moderating

If wages continue to rise strongly will continue to suck in imports.

The number of adults unemployed will remain at 32m while the rate will rise much faster.

# Investors warned to beware of con-men

BY HUGO DIXON

THE SECURITIES and Invest The booklet, aimed at the inexpe-ments Board, the new financial re-rienced investor, outlines some of

esmen, the booklet seeks to drive tion discount rate. con-men out of business. It sums up with the slogan: "Investing without thinking can seriously damage your

members of the public into dubious, wholly unsuitable or even non-existent investments is out of all pro-

ments Board, the new financial regulatory body, has brought out a the tricks used to dupe people into booklet, Self-defence for Investors, parting with their momey and how in conjunction with the City of London Police. It is the first step in what is intended to be a long-running fraud-prevention campaign.

By teaching people to develop a sceptical attitude to investment salescent the booklet seeks to drive tion discount rate.

Investors, says SIB, should translate it as follows: "This company, if it exists at all, is issuing as many "The fact that the vast majority of you into buying. I suppose we might investment practitioners are honest float it one day if people are credutive to those who have shares as we can talk punters like lost their life savings to a con-man," lous enough, but we haven't applied to anybody yet. If we do, it certainly shall man "And the description of the savings as choose as the savings are treatment. said Sir Kenneth Berrill, Sib's won't be anyone as choosy as the chairman. "And the damage done London or New York stock ex-by those who succeed in tricking changes. They do too much check-

# Youthful taste for music

buy at least one record album or pre-recorded cassette a year, ac-cording to a new survey of the Brit-age groups. Only 26 per cent of men ish public's music buying habits by the polling organisation Gallup.

Young men are the keenest buy-

The figure falls sharply in older and 12 per cent of women aged 25-34 buy at least one album or cas-

In the rock-'n'-roll generation ers. Over half (53 per cent) aged 16- people aged 35-44 - 54 per cent of 24 buy at least one album or cas- men and 43 per cent of women buy sette a month compared with 31 per at least one record a year.



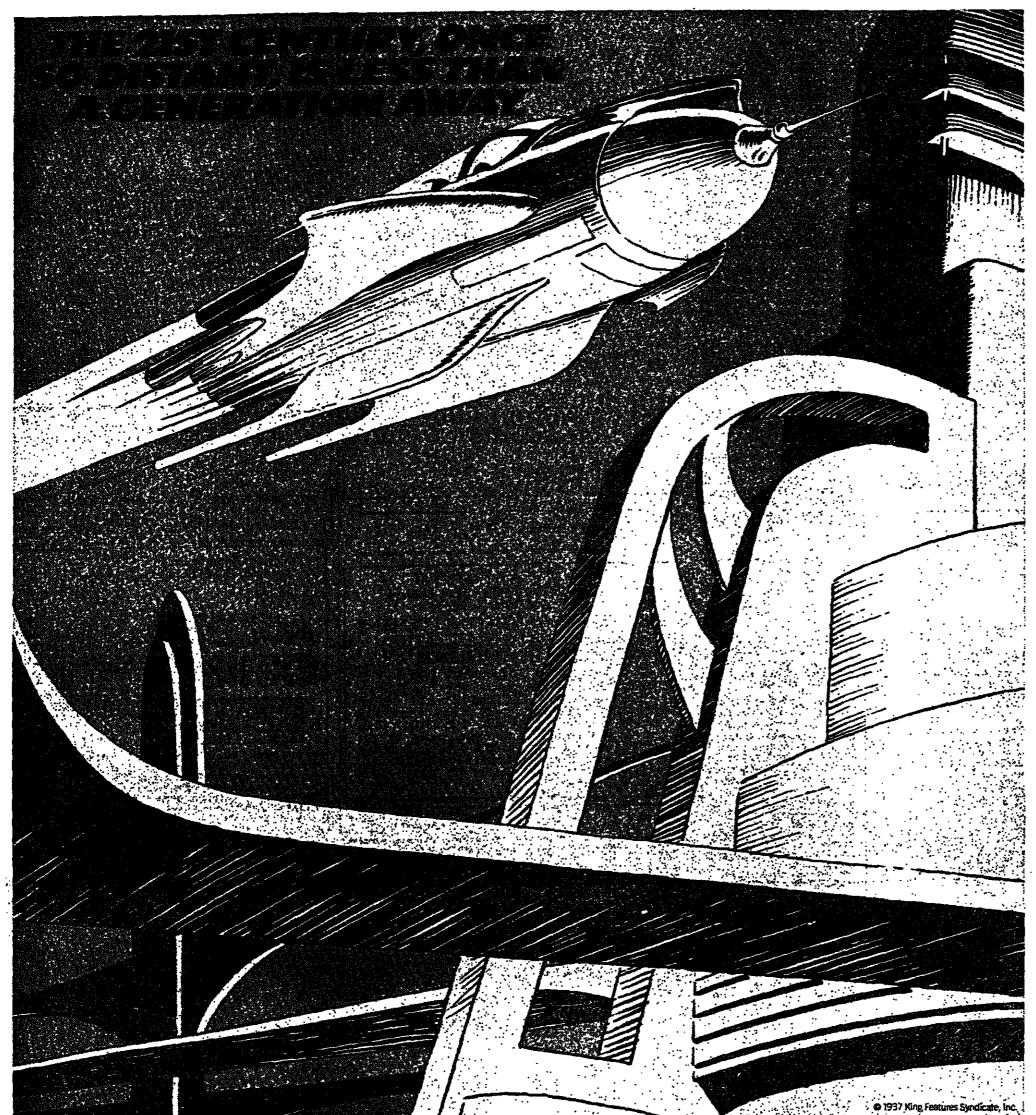
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for Scotland

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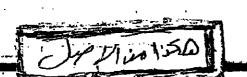
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THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

The Bank of England announces that Her Majesty's Treasury has created on 31st October 1986, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£250 million 10 per cent CONVERSION STOCK, 1996 £50 million 91 per cent CONVERSION STOCK, 2004 £50 million 82 per cent TREASURY LOAN, 2007 22 per cent INDEX-LINKED TREASURY STOCK, 2009 .

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3,30 p.m. on 31st October 1986 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 31st October 1986, and has Issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of

£150 million 11 per com EXCHEQUER STOCK, 1989 102 per cent EXCHEQUER STOCK, 1997 n each case, the amount issued on 31st October 1985 represents further tranche of the relevant Stock, ranking in all respects part passu with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax

Application has been made to the Council of The Stock Exchange for Apparation may seem make to the volume to the Official List. each surrier transment of stock to be admitted to the Official List.

Copies of the prospectures for 10½ per cent Exchequer Convertible
Stock, 1989 dated 22nd November 1985 (which contained the terms
of issue of 10 per cent Conversion Stock, 1996), 10 per cent Treasury
Convertible Stock, 1990 dated 13th January 1984 (which contained
the terms of issue of 9½ per cent Conversion Stock, 2004), 8½ per cent
Treasury Loan, 2007 dated 11th July 1986 and 2½ per cent index-linked

Treasury Stock, 2009 dated 10th Contines 1992 may be obtained at Treasury Joan, 2007 dated 19th October 1982 may be obtained at the Bank of England, New Issues, Watting Street, London, EC4M 9AA. The Stocks are repsyable, and inserest is psyable helf-yearty, on the dates shown below in the case of 21 per cent Index-Linked Tres Stock, 2009 provision is made in the prospectus for stockholders to be offered the right of early redemption under certain circumstances):

Redemption date Interest payment dates 10 per cent Conversion 15th November 15th May 15th November 25th October

25th October 8½ per cent Treesury Loan, 16th July 2007 16世 地 2½ per cent index-Linked 20th May 2009 ury Stock, 2009

10 per cent Conversion Stock, 1996, 92 per cent Conversion Stock, 2004 and 81 per cent Treasury Loan, 2007 are repayable at par. 2004 and 52 per cent ireasury Loan, 2007 are repayable of par. Both the principal of and the interest on 22 per cent index-Linked Treasury Stock, 2009 are indexed to the General index of Retail Prices. The index figure relevant to any month is that published reserve months previously and relating to the month before the month of publication. The index figure relevant to the month of publication. The index figure relevant to the month of index of 21 and come indexed indexed Transport Stock. 2009 is that issue of 22 per cent index-linked treesury Stock, 2009 is that relating to February 1982 (310.7). The relevant index figure will be used for the purposes of calculating payments of principal and interest due in respect of the further tranche of Stock

The relevant index figures for the half-yearly interest payments on 2½ per cent index-Linked Treasury Stock, 2009 are as follows: interest payable Published in

October of the previous year April of the same year The further tranches of 10 per cent Conversion Stock, 1998 and 2½ per cent index-Linked Treasury Stock, 2009 have been issued on an ex-dividend basis and will not rank for the interest payments due on 15th November 1986 and 20th November 1986 respectively on the existing Stocks. The further tranche of 8½ per cent Treasury Loan; 2007 will rank for the interest payment of £3.7198 per cent due on 16th Jenuary 1987. The further tranche of 9½ per cent Conversion Stock, 2004 66 rank for a full six months interest on 25th April 1987. Official dealings in the Stocks on The Stock Exchange are expected to commence on Monday, 3rd November

10 per cent Conversion Stock, 1996 and 8½ per cent Treesury Loan. 2007 will be specified, and 9½ per cent Conversion Stock, 2004, and 2½ per cent India: Linked Treasury Stock, 2009 are specified, under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as git-edged escurities (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is

Government statement Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet amounced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND LONDON

31st October 1986

ISSUES OF GOVERNMENT STOCK

# Labour pledges job agencies for **English regions**

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Labour Party will review the map of assisted Britain if it is regramme are likely to be enha immed to government at the next general election. It will also create agencies for some of the English regions along the lines of those estab-lished 10 years ago in Wales and

Scotland. Mr Gordon Brown, Labour's spokesman on regional affairs, said that, as a result of the party's commitment to create 1m jobs during the early years of the next parliament, the assisted areas would be given priority because this was where unemployment was most se-

"Regional policy is a relatively effective way of creating jobs," he said. "There are question marks over whether the present policy merely shifts jobs from one reg to another, but Labour would be able to put far more into a regional approach because there would be big savings on unemployment pay as the level of joblessness is re-

The party has clearly not committed itself to the number of English agencies that would be set up, but one in the north-east is considered

Farmers'

borrowing

FARMERS' bank borrowings have

more than doubled in real terms over the past 10 years, and agricul-tural debt has doubled as a percen-

tage of total farm assets, according

to Lloyds Bank's latest Economic

At the same time, it points out,

the value of farmland - which is the

main item which farmers use as col-

lateral for loans – has roughly

These statements are likely to

fuel the growing debate about the economic and financial health of British agriculture in view of a

sharp fall in farm incomes over the

past decade and of fears that further declines may be on the way, However, the bulletin, written by Mr Christopher Johnson, the bank's

chief economic adviser, argues that there is no cause for alarm. It says

that, while there is bound to be an

bankruptries "at the margin," farmers' debt liabilities in general are

still only about 15 per cent of total

sectors of industry," Mr Johnson writes. "It can be shown that UK ag-riculture still has a healthier bal-

ance sheet than its counterpart in most other countries, even though

farm debt has also risen more stee

Lloyds Bank Economic Bulletin Lloyds Bank Economics Depart ment, 71 Lombard St, London EC3.

"A gearing ratio of one to five and a half is conservative by any stan-dards and would be envied by most

Bulletin, published today.

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doubles

By Andrew Gowers

Other features in the Labour pro powers for the existing Scottish and Welsh development agencies, more power to local enterprise boards and local councils being given specific powers to assist them in their work on industrial development.

Mr Brown attacked the assumptions in the government document, Programme for Action, 1986-90, sent in July to the European Economic Community's regional direc-torate, that unemployment would the period. That was "totally untenable," he

said. "We must also get away from the branch economy syndrome that has done so much harm to the regions. The answer is to stimulate indigenous industry within these Mr Brown refused to be drawn on

how much Labour's plans would cost. "Regional policy is part of the competing demands on government and how much we can spend on it will very much depend on how total resources are allocated at the time among competing departments."

Anthony Moreton reports on a controversial survey

# Battered north-east faces gloomy future

ENGLAND'S north-east is one of the most disadvantaged regions within the EEC.

Cleveland has the highest unemologment rate of any county in Eng-and, and south Tyneside has the highest urban rate in Britain.

The north-east is in the unexviable position of having the worst combination of unemployment blackspots in the country.

To aggravate matters, there is no sign of the north-east sharing in the gradual recovery taking place in the rest of the economy. The decline in manufacturing jobs continues to be greater than the gains elsewhere in the economy.

Although the structure of the economy, traditionally based on heavy industry, has changed substantially over the last 20 to 30 years the proportion of those in pri-mary and manufacturing industry is still higher than the national av-

Newer high-technology indus-tries have fought shy of moving into the north-east so that there has been a relatively low take up of national aid schemes to support inno-

According to the report, the north-east shows all the signs of a depressed region that has experi-enced a long and continuing eco-nomic recession and outward migration. Below national-average earnings and incomes, skill levels, educational achievement and

The Government's picture of the state of the UK's assisted regions is contained in a 17-volume document, Regional Development Programme, 1986-98, presented to the European Reanousic Com-

thunity last July.

The document is part of the Government's case for more assistance from the European Regional Development Fund.

The Li volumes were not officially released by the Department of Trade and Industry, the ariment responsible for re-al policy, but were placed in the House of Commens library where they can only be consulted by MPs. Mr Gordon Brown, Lahour's regional affairs spokes-man, revealed the contents, but no official comment has been made on them by the Govern-

health standards, high unemployment and some poor housing are all

No alleviation of the unemp ent situation can be expected until a member of other more fundamental problems have been re-solved. The weak economic structure, for instance, has too few new of industries, a relatively undeveloped small business sector, under-representation of service industries and an over-representation

Taken as a whole they prese a bleak picture of the mo staged parts of the UK. Encor cyment is projected to stay hove 3m in 1990, and considerable spending on infrastructure, especially roads, sewerage, wa-ter, telecommunications and enmental facilities, is the cessary in all the regions if

they are to be brought up to the level of the rest of the UK. though, in the light of its being a on to the EEC for gr from the European regional hand. It therefore paints a ple-ture of Britain with the watts particularly protunent. The Gov-centural has all along hoped finat regional money from Brussels would go some way towards off-setting Beltain's payments into the Common Agricultural Palicy.

of industries where employment is

declining.
Within the infrastructure, more investment is needed in com estions, water supply and land drainage, gas, waste disposal, teletions and serviced industrial land.

There are too many anqualified manual workers and a lot of environmental dereliction. On top of these, there is social deprivation, especially in inner-city areas.

To overcome this situation there must be a continuing attempt to improve efficiency and competitive ness and the region must find a way to improve its image.

The low level of private investment means that public-sector ag-encies will have to play a major role in any stimulation of economic activity. The broad objective should be to provide sites and premises of the correct size and price to reflect

market requirements. There have been plus points, especially the arrival of the Nissan motor plant. This success has highlighted the importance of local au-florities identifying and developing strategic sites suitable for largescale mobile industrial projects.

The unfavourable industrial structure and continuing loss of jobs, taken with the limited amount of footloose industry, poor image of the area and continuing restraint on public spending will all affect the north-east's ability to respond to an upturn in the national econo-

A significant increase in jobs is unlikely in the short term. Progress will depend on local ability to generate new work.

The region will have to exploit its full potential in the promotion of high-technology industries. Prognostications for the economy during the years covered by the study are





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# **UK NEWS**

# Europe's top fertiliser producers hit by crisis

THIRD-QUARTER figures last week from ICI, good though they were overall, confirmed one de-pressing and important fact the Eu-ropean fertiliser industry is in deep trouble and could stay that way.

ICI, Britain's leading producer, made a 10th of its profits - £99m from fertiliser last year. This year it will make nothing at all - in the third quarter its fertiliser business moved into loss, and it may well turn in a loss for the year as a

Europe's leading producer, the Norwegian group Norsk Hydro, had produced still worse news the previ-ous week. In the third quarter its fertiliser division, plagued by plant closures and difficulties with raw material pricing, lost £9.5m, having made a profit of over £20m in the

same period the year before. Producers are quick to draw at-tention to a number of short-term problems afflicting the market. But behind them lie some deep-seated difficulties which could prove more

The biggest immediate problem, producers agree, is the Soviet Union. Starved of hard currency by the fall in the oil price, Russian pro-ducers have reportedly been selling ures (a form of nitrogenous fertiliser) at a Black Sea price as low as

This is certainly well below the cost of production. It also works out at a price to the UK farmer of around £95 a tonne, which is below ICFs cost of production for ammonium nitrate, the Western European equivalent of urea. But ICI has had to match it all the same.

Mr Ken Atkins, strategic planner at ICI's fertiliser division, says: They will import around 300,000 tonnes of urea to the UK this year, which is around the same as last year. But it would have been over 500,000 tonnes if we hadn't dropped our prices by 25 per cent. We cannot make money at that level, and the only reason we've done it is to keep imported tirea out."

Norsk Hydro puts it tersely: "ICI are bleeding, and so are we.

At present, the EEC is looking in-to alleged dumping of urea by eight countries in the Middle East as well as the Eastern bloc. But the problem has, in fact, been building up for several years.

In the late 1970s, a number of the developing world began ambi-tious expansion plans in urea. By like the threat of lower EEC farm

Tony Jackson on how cheap urea imports are adding to existing pressures

the early 1980s the plants were on stream. Surplus production went to two main markets, India and China.

"Both these countries", says Mr Atkins, "have now dropped the scale of their purchases. It's likely to stay that way - they've got their own act together. That leaves more urea on world markets."

The pressure on European producers, apparent for several years, has become correspondingly acute. Mr David Aitken, of London consultants Ferticon, says: The industry has really been in trouble for five years, which is why Norsk Hydro was able to buy up loss-making companies which their owners were happy to sell. But this is the first time people like Norsk, ICI and the Comments are strating to be the like their time people like Norsk, ICI and the Comments are strating to be the like the Germans are starting to hurt as

This year saw other problems too. Mr Petter Gudminseth, European sales co-ordinator for Norsk Hydro, says. Spring was very late, and only lasted a couple of days. Warehouses were overflowing with fertiliser, and this was just at the time when buyers were demanding lower prices because of the fall in the

But perhaps farmers, who are supposedly under pressure from the EEC to reduce their surpluses, are turning away from fertiliser use

Not according to the UK's National Farmers' Union. "If you halve your use of mitrogen," says an NFU yield by 10 per cent. But look at the

"Nitrogen costs around £80 a hectare, and you get around seven tonnes of wheat a hectare at £100 a tonne. If you halve the nitrogen you save £30, but you lose a tonne of wheat. That's why the industry doesn't believe there will be a cutback in nitrogen use unless there is official action to enforce it."

Again, producers do not believe that the environmental lobby, which objects to the excessive use countries in Eastern Europe and of nitrogen on various grounds, is

cope with that since they're not get-ting the return. So the world urea situation should harden by 1990." That, on the other hand, is still four years away, and the European scene looks less cheerful.

"Our guess," Mr Atkins says, "is that nothing will happen with EEC farm policy in the next five years to have a dramatic effect on use of nitrogen. So we're projecting a level market, or maybe a decline of 1 per cent a year. That leaves too much capacity in Europe, and by the normal processes of competition that will certainly lead to rationalisa-

the industry that ICI itself would takes the long view. We are deter-

of sabre-rattling normally indulged in by the chemical industry when live with continued losses, se will have to crack.

By Tony Jackson go away. RRITAIN'S plastics producers ex-Even without that, the outlook is - pect their sales volume to carry on BRITAIN'S plastics producers ex tough. Mr Ken Atkins of ICI says:

Trising this year, but they do not exworldwide, we expect growth of 5

per cent a year for the next 16

years. People are not investing in have been falling over the past
nitrogen fertiliser fast enough to year, the trend is now expected to

The annual survey by the British Plastics Federation, covering the year to April, shows 88 per cent of year to April, shows 86 per cent of plastics producers reporting better profit margins last year although in the current year 60 per cent expect margins to stay unchanged. While 65 per cent said their prices fell last year, 62 per cent now hope for a rise of between 5 per cent and 10 per cent

The improvement in profitability in the past year has been due to the fall in the oil price, which has reduced feedstock prices by more than the fall in the price of finished

The plastics producers' custom not be sorry to get rid of a commodi-ty business like fertilisers, the group has gone out of its way lately to affirm its commitment to agricul-to affirm its commitment to agricultics prices last year, with over half ture. Mr Denys Henderson, ICTs ment in profit margins, while over chairman elect, said last week. ICI 70 per cent said sales volumes had increased. By contrast with the 65 mined to be a major force in agri-culture well into the Zist century." saw prices fall last year, only 18 per Then again, this could be the kind cent of processors reduced their

selling prices. The outlook for processors in rationalisation is in the air. Unless the current year also seems cheer-fertiliser producers are prepared to ful. Two thirds said they expected a further improvement in profit mar-

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ion organised under French Isw (Société Anonyme):
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The holders of international convertible bonds 101% 1980-1991 Issued by ALCATEL are called to an extraordinary General Meeting to be held at 37, rue du Rocher, PARIS 8ème (FRANCE), on November 18 1986, at 3 p.m., in order to consider the following

enda:

Communication of the board of Directors relating to a proposal of partial transfer of assets from ALCATEL to ALCATEL TELECOMMUNICATIONS.

Approval by the bondholders of this proposal of partial transfer

of assets.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts, must be deposited at least five days before the data fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested. This meeting shall be validly held if the holders of fifty per cent of the outstanding bonds are present in person or represented.

The Board of Directors



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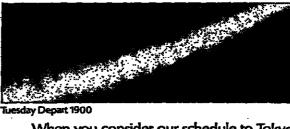
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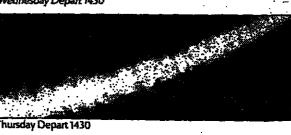
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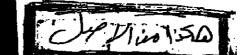
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And since we're the first and only bank with an all-electronic clearing system, the whole process is far more accurate, controlled and secure than your current system of messengers and paper pushing. You simply tap

your day's transactions into your desktop computer. Then send them all on their way with the touch of a button.

Which is all very state-of-the-art and convenient. But if there's a problem, you don't want to talk to a computer, do you?

That's why the Chase Partnership combines cold, efficient technology with warm, efficient people in each country. People who speak your language, literally and figuratively, and watch over your transactions. So if you don't catch a

possible error or oversight and call one of them, one of them can catch it and call you.

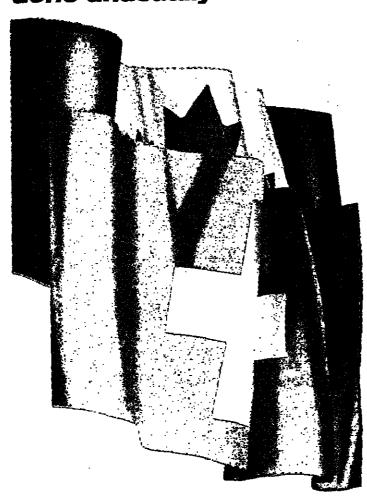
We don't ask the world for these services, either. Just a fair and reasonable fee.

To discuss Chase Global Clearing Accounts in greater detail, contact your Chase Representative, Al Salzano in New York at (212) 552-5216, or Peter James in London at 01-747-4524

After all, in the big picture, there's only one place you do business. So what do you need all those other banks for?



# Business as usual, done unusually well.



On September 18, 1986, the Dow Banking Corporation of Zurich ceased to exist. It became, at the stroke of a pen, the Royal Trust Bank (Switzerland).

Clients of Dow can view the change with confidence. The new organization maintains the same strong staff and the same personal service as before.

And yet, something new has been added. Royal Trust, founded in

Canada in 1899, is a major international financial institution with more than \$66 billion (Can.) under its administration. It is a conservatively capitalized company, with a double-A rating and the highest return on equity of such institu-

tions in North America. Royal Trust offers clients an international network of financial services, together with an attitude dedicated

to meeting individual needs. The bank's organizational chart places the client precisely where he or she belongs: at the top.

If you are familiar with the Dow Bank or Royal Trust, you will undoubtedly be pleased with the new amalgamation. If you do not know Royal Trust firsthand, now should be the time. We stand as near as your phone.

# **Royal Trust Bank (Switzerland)**



Limmatquai 4, P.O. Box, CH-8024 Zurich (Zurich - 01) 250 91 11 Direct dial (from GB) 010411/250 91 11

# **UK NEWS**

# Japan broadens manufacturing base in Britain

THE NUMBER of Japanese wholly owned and partly owned production sites in the UK will rise shortly to It might be questionable just how almost 50 following the decision by Canyon to set up a plant in Nor-thern Ireland for the manufacture

of trigger-type sprays.
Employing about 12,000, these companies plan a further 2,000 jobs in the next year. The UK ranks with West Germany and Spain as the main European centres for Japanese manufacturing and assem-

A large proportion of Japanese investment is in electronics, according to the latest figures produced by the Invest in Britain Bureau, part of the Department of Trade and In-

Of the 40 Japanese production sites - 40 of which are wholly Japa-nese owned - 19 are in electronics sector, employing 5,600. About half these are in Wales.

Most of these production sites are engaged in producing consumer goods, though they are also making silicon wafers and semiconductors as well as office equipment such as

The two largest electronics operations are the television set plants of celerating the r Sony at Bridgend and Hitachi at Aberdare, each employing about the change in the Chang

Recently there has been a surge of investment in heavier engineer-ing and processing largely through Nissan's car assembly plant near Sunderland and Sumitomo's purchase of Dunlop's tyre business

The engineering sector included two of the earliest pieces of Japa-nese investment - YKK zip fastners which set up in Cheshire in 1972 and NSK Bearings at Peterlee, Dur-

ham four years later. Recent investment in this sector, which includes Komatsu's excavator and wheel loader assembly site, has reinforced the north-east of England as the main centre for Japanese heavier engineering. Nine Japanese companies are en-

gaged in this type of processing and assembly work, employing 4,750. More than a half these jobs are accounted for by Sumitomo's opera-

One of the most recent additions is Yamazaki, which is opening a large lathe assembly plant in Wor-cester to the annoyance of the domestic machine tool industry. Two Japanese owned businesses are in switchgear manufacture, one trading under the name George Ellison though it is 190 per cent owned by Mitsubishi.

A further 1,500 people work for a range of other smaller companies producing printing plates, car seats, lighters and other products. Of the

much even basic assembly work is going on in the smaller Japanese operations. At least one company on the bureau list involved in robots

imports all the engineered parts.
It is also frequently difficult to ascertain the local component content of these use working regimes based on a high proportion of low paid semi-skilled female labour.

With the recent development the north-east, England now has the lion's share of employment in Japanese production sites with about 8,000 jobs out of the total. In Wales 3,500 work in Japanese-owned companies and a further 1,000 in Scotland, a large proportion of them at Livingston

Japanese investment in produc-tion in the UK - about £700m including the Nissan second phase companies in the UK and very small when set against West Ger-

the change in the yen value is ac-celerating the pace at which the Japanese are opening production

The bureau said Japanese compa nies had made nine significant in vestment decisions this year to set up or expand existing operations in the UK. This compared with 13 last

open new production facilities and arrange further collaborative deals is expected to quicken even though investment will be increasingly

Collaborative deals, particularly those involving the supply of basic parts such as the chassis of a lift truck which are then rebadged by a British company, are an important element of Japanese business.

THE INSTITUTE OF After the Revolution -issues for management A two day conference to be held on Thursday

4 December and Friday 5 December 1996 at
the Park Lane Hotel, London W I Revolutionary changes have swept the City. Now that the dust is settling we must seek the way forward. This conference will give the experts' view from the eye of the storm providing as a stormatic form. providing an authoritative forum for discuthe impact of the City Revolution. Conference fee: £400+£68 VAT

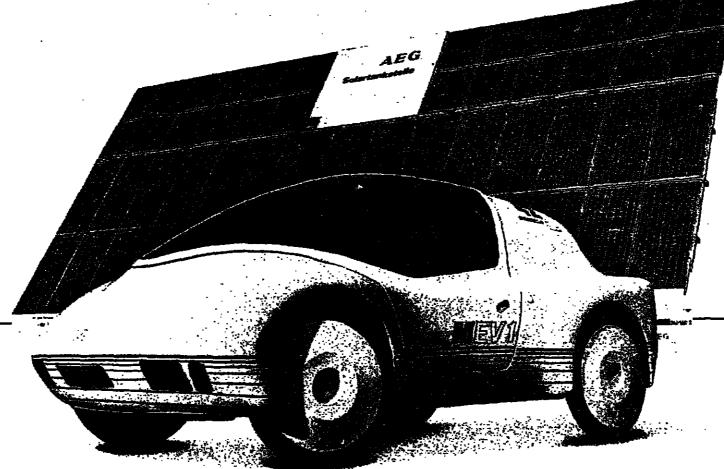
Tenneco inc



A 1986 is our 40th year of cash dividend

The 1986 fourth quarter dividend of 76¢ per share on the Common Stock will be paid December 9 to stockholders of record on November 7. About 190,000 stockholders will share in our earnings.

Karl A. Stewart, Secretary



# A Tank Full of Sunshine. Thanks to AEG.

AEG has introduced the world's first mobile solar service station, able to pump solar power into the tanks of five vehicles at once. The station was introduced at the "Tour de Sol '86" where a third of the sun-mobiles were powered by AEG generators, a majority of them winners in many vehicle categories.

These shining examples of innovative technology in solar energy are brought to life by AEG, offering new sources of energy for the most diverse applications... even in sport.

Although using solar electricity to power vehicles is a new technology, it has long been a proven, practical source of energy in domestic and industrial applications. The photovoltaic cell, which transforms sunlight directly into electrical energy is the key to clean, safe solar technology. Lightweight solar panels from AEG are used to

supply power to rechargeable batteries in the home. And for industry, AEG solar technology provides energy for satellites, as well as terrestrial applications such as navigational aids, irrigation systems, water purification systems, communication transmitters, receivers and amplifiers.

AEG (UK) Ltd. 217 Bath Road Slough Berkshire SL1 4AW Phone: (0753) 872101, Telex: 847541

Advanced technology from AEG: electrical and electronic equipment, systems and installations for automation, communication and information, for industrial and power applications, for defence and transport, for the office and the home.



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ye shop

You can find AEG in 111 countries worldwide.

per 3 1888

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Financial Times Monday November 3 1986

The industry standard is a ghastly little bit of jargon, we admit.

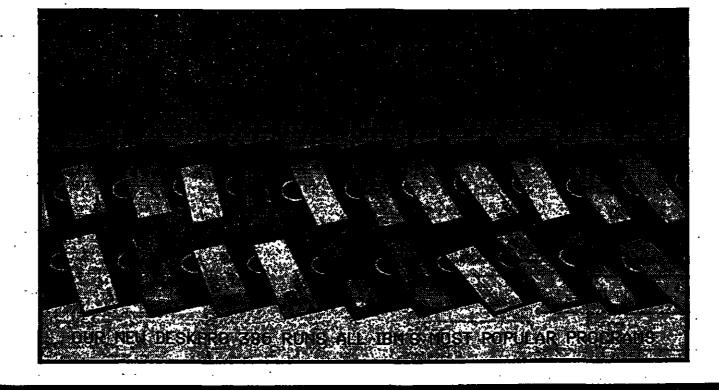
But since it is crucial to the choosing of a new computer, we thought we had better explain what it means.

(If you already know, please >GOTO the section headed 'pies and napkins.')

THE COMING OF THE

Apple (give them

STANDARD



check by talking to any computer expert, or reading the trade press.)

Our computers were faster and more powerful than the machines they were targetted against.

features had . They no-one else had thought of. like safety back-up systems monitors that worked

> equally well with text and graphics. Softwarewise (very

Houston, that) they ran all IBM's most popular programs, plus programs written specially for us.

Such was the demand for them that we now hold the record for the fastest ever entry into the Fortune 500.

# WE SHARE THE INDUSTRY STANDARD.

their due) launched the first personal computer back in 1977.

It was four years before responded with their honest, if rather bovine. PC.

Of course, the IBM machine would not run Apple programs, and vice versa.

War broke out, with the customer caught in the middle.

Soon, vast numbers of programs had been written for the IBM PC, covering everything from accountancy to zoo husbandry.

Other manufacturers, seeing which way the wind was blowing rushed to bring out machines 'compatible' with IBM's. Computers that, in other words, could run IBM programs.

Thus, as with VHS in video, an 'industry standard' quickly became established.

Today, anything outside it is frankly out on a limb.

# PIES AND NAPKINS

Unfortunately the 'compatibles', like

the IBM computers they aped, were not (oh dear, how can

we put this?) very remarkable machines.

They ruminated over programs like cows chewing cud.

Then one day in 1981, a group of computer experts met for lunch at a pie shop in Houston, Texas.

Over their coffee and pie, the talk turned to the excruciating duliness of personal computers.

What was needed, they agreed, was a 'compatible' computer that went far beyond what anyone had dreamed of offering.

therefore Being engineers, and uncouth, the tablecloth was govered in circuit diagrams.

Luckily, by the time the bill arrived, the design for a new computer was safely sketched on a place mat.

'It's a great idea,' said one of them, 'but who'll build it?' After a short



# THE COMPAQ DESKPRO 386.

The object of this advertisement is not simply to verse you in the lore and legend of COMPAQ Computer.

We want to sell you something. To most powerful the personal computer ever built.

It is based on Intel's astonishing new 386 microprocessor, and called the COMPAQ DESKPRO 386.

Our new machine has 6,250 times more working memory than today's average personal computer.

It runs current 'industry standard' programs 2 to 3 times faster than most other machines on the market.

For networking, multi-tasking and multi-user systems, there is nothing to touch it. That's just for starters.

Soon, as more and more software

is written for the 386 chip, it will able be

things previously considered to be impossible for a personal computer.

Things like computer aided design, and running 'expert systems' (artificial intelligence, no less).

Best of all - oh shucks, we've run out of space. Ah well, you'll just have to continue this discussion with your nearest COMPAQ dealer.

DESKPRO **386** 

WE'LL NEVER CEASE TO AMAZE YOU.

# THE INDUSTRY DOESN'T SHARE OURS.

silence, COMPAQ Computer was born.

# THE BEST, NOT SWANKING

The first COMPAQ PC was a portable that offered the same power (power = working memory) as machines twice its size. It sold out.

We followed it with a series of desktop and portable computers, each of which met with rapturous acclaim. (This is not your usual addy bragging. It is all true, as you can easily

# MANAGEMENT

"WE ARE constantly trying to

avoid the crowd."

This pithy comment on Lloyds Bank's corporate philosophy by Brian Pitman, the group chief executive, almost amounts to an understatement. The smallest of the UK's Big Four clearing banks has so studiously done things differently from the rest in recent years that it might be accused of perversity. What keeps those accusations at hay is the thought at the back of many people's minds that Lloyds could be the one bank that is getting it right.

Time will be the judge of that, and at the rate the banking business is changing, that could be quite soon.

Llords is pursuing its stand-out strategy with a doggedness that flows from Pitman himself, a lifetime clearing banker with a near-obsessive dedication to profit-earning and cost-control. The corridor outside his Lombard Street office even has yellow line rather than the plush carpets of other clearers.

The catalogue of Lloyds' wish to be different begins with the decision at the beginning of the decade to go into the estate agency business at a time when other clearing banks believed that the future of retail banking lay in improving traditional banking services. Today Lloyds owns one of the largest estate agency chains in the UK, Black Horse Agencies, and has had the satisfaction of seeing Ham-bros Bank and a string of in-surance companies and building societies follow the same

When Big Bang came along, Lloyds failed to buy a stock-broking firm like the other clearers, and has instead built up its own securities business for a fraction of the price.

Earlier this year, when most international banks were spendcapital markets operations, Lloyds offered £1.5bn to buy Standard Chartered Bank. The rationale to strengthen its interbusinesses like trade finance. The bid failed, but the goals be-hind it survive, and Lloyds may

mind it survive, and labyos may try again.

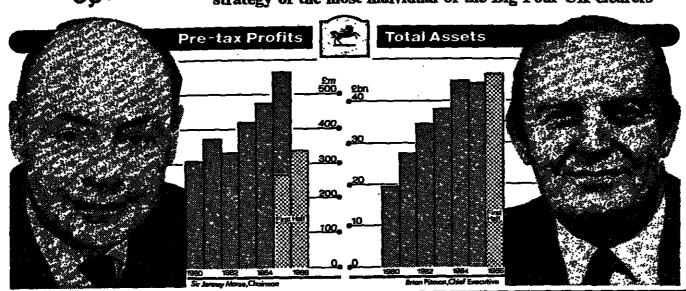
Most recently, Lloyds has spent £100m buying a medium-sized Canadian bank, Continen-tal Bank of Canada, a step which seemed almost bizarre as its 1984 decision to buy the remains of the scandal-ridden Schroder Muenchmeyer Hengst

bank in West Germany. The logic behind all these



# Lloyds: perversity or perceptiveness?

David Lascelles continues this series with an analysis of the strategy of the most individual of the Big Four UK clearers



the future. But at Lloyds they rewards" rather than

While Lloyds does have an idea of the sort of institution it wants to be in the 1990s (a bank of world standing), it is driven just as strongly by what one of its executives calls one of its executives caus "active portfolio management": it moves in — and out — of businesses quite frequently depending on whether they fit Pitman's profitability standards, and can contribute something to the group as a whole. In the summer, Lloyds sold its California subsidiary because it fell ther on hoth counts.

The profit standard is a posttax return of 18 per cent on equity, the minimum level Pit-man believes a bank must earn to compete for investors' favour in an increasingly international marketplace for capital. It almost achieved that goal in the first half of this year: 17.8 per cent, and hopes to get there by year-end, helped by a sophisti-cated management information system that tracks the returns Lloyds earns on all its opera-

them up." That was the think-ing behind the West German and Canadian deals: both banks had been in trouble and could be bought cheaply. So long as Lloyds can nurse them back to health—which it has done with SMH in Germany—it has won itself a foothold in a new mar-

so much a matter of acquiring ailing businesses as buying up firms before the competition got the same idea. John Dawson, the director of retail bank-ing, claims that Hambros "have had to spend several times what we did" to build up a similar network — Hambros has spent £85m. Black Horse Agencies is now earning £4m pre-tax on annual turnover of £44m, and proving additional outlets for Lloyds financial services like mortgages and insurance. This is still small beer, but Dawson sees these figures multiplying

Lloyds has not advanced without a great deal of internal reorganisation. Last year, it merged together its inter-national and domestic banks Lloyds' observers, particularly those who have grown accustomed to hearing bankers talk of their well-honed visions of their well-honed vision

This enabled Alan Moore, the treasurer, to build up an integrated group treasury, achiev ing in the process a stronger market presence for Lloyds and better results in such activities as foreign exchange trading. Moore has also forced other divisions of the bank to be more cost-conscious by reviewing the transfer pricing arrangements through which he charges them for the funds he supplies. "I make no apology for this. People must be aware of the marginal cost of money." But the treasury can also help other parts of the business by designing "products," like a £200m interest to the guest extract this interest rate swap earlier this year which enabled Lloyds to offer a unique fixed rate mort-gage at 9.9 per cent—a bargain for those who took it, as it

The next step on the treasury side is to adapt it to Lloyds' increasingly global presence to ensure that the group's far-flung offices are all pulling in broadly the same direction. The treasury may be more closely allied with the new merchant banking arm, which also deals in the financial markets, and it will in any case play a larger role as the present trend towards securitisation of

between a fuddy duddy clearing bank and whizz kid merchant bank will fade away. We are really one bank," Moore says. Big changes have also been made to the part of the bank that lends money to Lloyds' major corporate customers. This activity has been removed from managers and assigned to central account executives who act as the main point of contact for all the increasingly

Robert Mediam, director of corporate banking, says: "This business is no longer dominated by the lending of money but by the provision of services." Lloyds' loans to large companies are now negligible (though it has £9bn out to small and medium sized ones).

sophisticated and varied services

demanded by corporate trea-

All through these changes Lloyds has been dogged by the spectre of the Third World debt crisis, to which it has the largest relative exposure of the UK clearers (£8bn out to Latin America alone), but for which it expects no early solution. However, Lloyds has not allowed the debt crisis to inhibit the rest of its international

# Investing for the future

LLOYDS CHOSE a hrave but lonely path when it decided not to buy a stockbroker in readiness for Big Bang like the other clearers; this made it seem less enthusiastic about investment banking, which is widely viewed as the most important trend in banking today.

But I lovid has not stood

But Lloyds has not stood back. Over the last year it has created a new subsidiary, Lloyds Merchant Bank, to handle its capital market and merchant banking operations, including a new stockbroking menung a new stocksrown and gilt-edged dealing business built up from scratch. LMB now has a balance sheet of about \$1.6bn and a staff of nearly 800, and will probably be the fastest-growing side of the bank for several years.

Robert Owen, the director of merchant banking who was hired from Morgan Grenfell to set up LMB, concedes that one of the major tasks is to one of the major tasks is to establish the credibility of an operation with such a brief track record. "But we were more convinced by the 'de novo' route." He claims that the home-grown gilt-edged dealership which went into action with the Big Bang last week is already as big as some week is already as big as some businesses which its rivals

While its big competitors are concentrating almost exclusively on the world capital markets, Len Kingshott, the director of international banking, says Lloyds still wants to buy local franchises: foreign banks with branches and well-entrenched market positions. This is partly out of an shiding belief in what he calls "the old virtues" of businesses like trade finance and correspondent banking, which can still be highly profitable. It is also to expand the group and provide more outlets for its carriers worldwide. its services worldwide.

Although Pitman and his team constantly talk of their goals in terms of profitability, the bank's size is plainly a driving concern too. Lloyds ranks number 35 in the world league in terms of assets, which puts at only on the margins of the world's top banks. A merger with Standard Chartered would have pushed it up several notches, and increased its status and leading power.

Pitman denies that growth objective. But he boasts of the bank's capital strength, which is relatively the beauty is relatively the highest of the UK clearers, and has been achieved without a rights issue for over 10 years. He claims

bought for large sums of money only a year or two ago.

LMB is not making markets in equities; it is only broking and researching them. But Owen says LMB may buy an equity business next year.

"We're in no hurry." Meanwhile LMB is trying to establish itself overseas, particularly in Europe where it is drawing on Lloyds' strong footing in West Germany and Switzerland.

Switzerland.
It has been admitted to the Japanese Government bond market, and hopes to be recog-nised by the Federal Reserve nised by the Federal Reserve as a primary dealer in US Treasury bonds quite soon. LMB also has some catching up to do in the Euromarkets where it lags far down the leagues, despite coming up with some notable innovations

like perpetual bonds.
Possibly LMB's biggest challenge will be to fit in with the rest of the Lloyds group without creating jealousies and conflicts. Owen expects the investment banking cul-ture to start permeating the clearing bank side as more of Lloyds' corporate customers use capital markets products rather than traditional banking services. This will require "some re-education," he

this is essential if Lloyds is to meet the competition and have the "war chest" for further acquisitions, which is still the chosen route for expansion. Some of his competitors also believed he has set his sights on becoming the first UK clearer to achieve triple A status in the credit markets.

Even so, Lloyds remains a blt of an enigma. While other bankers admire Pitman's boldpenkers admire Pitman's bold-ness and concern with profits, they remain puzzled by his bank's attachment to what one of them celled "bricks and mortar banking," and its low key approach to investment banking.

Nor has Lloyds' profit per-formance earned it any notice-able premium on the UK Stock Exchange where its chares have exchange where its enares have been trading at similar relative values to Barclays and NatWest, which have been earning comparable returns on their capital. If the present fashion for capital markets proves to be a chimera, Lloyds will, of course, and the course, and the course of the course, and the course of the course of the course, and the course of the course of the course of the course, and the course of the course appear to have chosen a wise course. But that is not a judg-

Previous articles in this series appeared on September 8 and 22, and October 6

# Management abstracts

In-house eash dispensing, K.
Barker in Accountancy Age
(UK), June 12 86 (1 page)
Briafly describes how Pedigree Petfoods has installed eash
dispensing facilities at its Midlands plants to encourage staff to accept payment by credit transfer; notes similar systems operating at the Bank of Eng-land and the Swiss Bank. and and the swint bank.

A legal structure for multinational loint ventures. C.

Nobes in Accountancy (UK),

August 86 (one page)
Describes a legal format
called the European Economic
Interest Grouping, the purpose
of which is to be a fiscallyavenut non-profit making exempt, non-profit making structure for the operation of joint activities for parent com-panies from more than one member state; gives some uses for such a structure.

How boards function in turn-over at the top. W. F. McCanna & T. E. Comie in Business Horizons (US). May/June 1986 (six pages) Examines how a board should converte when faced with replace operate when faced with replac-ing a chief executive; focuses on the "chicken and egg" dilemma of whether to replace first then form a new strategy, or form a new strategy and then

Are shop stewards setting weaker? M. Terry in British Journal of Industrial Rela-tions (UK), July 1986 (10]

pages)
Regards the power and infuence of shop stewards as an elusive quantity; examines the indices used hitherto to try to estimate this, i.e. organisational estimate time, i.e. organisated in (e.g. meeting frequency) and substantive (e.g. number of strikes); supplements these with evidence from recent case histories; finds it impossible to provide a simple answer to the sitle's question, although it seems to point to a qualified yes. Audie visual and the design dimension. R. Swain in Audio

Visual (UK), July 1986 (2 raphics are not limited in

graphics are not inition in scope to slide-making, video graphics, simulation, and animaion but can make a major contribution to graphic design across the full spectrum from advertisements to pack design and textiles; sees designers' lack of relevant knowledge and/or desire to use computer graphics as the main stambling block.

# The Booming Anhui Textile Exports

Anhui Branch of China National Textiles I/E Corporation, as a state-operated enterprise with legal entity status, is the sole specialized corporation to deal in the import and export of textiles in the province. We have seven business management divisions specialising in raw material, gauze, artificial fibres, knits, cotton knits, garments and development and seven other divisions involved in various

Our main products fall in some 50 categories including cotton. cotton yarn, cotton piece-goods, printed shirting, ramie yarn, ramie piece-goods, cotton manufactured goods, synthetic fibres, cotton wear, wollen kniiwear and garmenis



Apart from the superb quality of our products and services, our success in establishing a worldwide reputation and maintaining a substantial annual sales increase are also attributable to various other unique factors:

1. Anhui province, situated in the lower reaches of the Yangtze River in southeast China, is endowed with fertile soil, mild climate and abundant rainfall, which provide the ideal conditions

2. Our textile industry has a complete range of spectrum. including cotton textile, hemp textile, wool textile, silk reeling, printing and dyeing, yarn-dyed fabrics, knitting and chemical libre. There are about 250 textile mills which have more than 800,000 spindles and nearly 30,000 looms in operation. About 100 mills are engaged in production for export.

3. The sea, land and air transportation network is well developed. iently crisscrossing the entire province.

Under the policy of "opening to the outside world and invigorating economy at home", the past five years have witnessed a significant expansion in the textile exports of our province. Our export volume in 1984 quadrupled that of 1981; with 44.5% growth on the average annually.

At present, we have established business relations with more than 300 companies in the world. Business talks with traders from all over the world are most welcome. Co-operation can be in the forms of processing of supplied or imported materials, co tion trade, agency or joint venture.

China National Textiles I/E Corp., Anhui Branch Import and Export Building, Jinzhai Road, Hefel, China Tel: 60870 Cable: 0756 Hefel Telex: 90015 AHTC CN

# **Anhui Animal By-Products**

Anhui Animal By-products Branch of China National Native Produce and Animal By-products I/E.Corp. is the sole lawful sales agent specialising in the import and export of animal by-products in Anhui.

Anhui Province has rich supplies of quality animal byproducts. The province ranks among the biggest producers of feathers of unrivalled quality, specially known for their thick

Anhui is also a major producer of rabbit hair, which is soft, pure white and of standard length.

Anhui raw goatskins are noted for its fine grains, softness and tenacity. Our bristles are resilient and of appropriate toughness. Our animal feedstuffs are all of excellent quality.

We mainly handle the following products: rabbit hair, rabbit hair yarn, feathers, down, various feather and down products, raw goatskins, leather garments, fur and fur products, casings, bristles, bristle brushes, mane, goat's hair and animal feedstuffs.

Besides I/E trade, we are also active in supplied material processing, compensation trade, joint production and joint ven-





China National Native Produce & Animal By-Products I/E Corp., Anhui Animal By-Products Branch I/E Building, Jinzhal Road, Herei, China Telex: 90012 AHXC CN Cable: ANHLIXC Tel: 61685,61269



And you've got us. tus on Livingston for your particular company. In hours if you push the panic button. Could anything be clearer or more specific than that?



# You've got two weeks to put location proposals to the Board.

Scotland, as a general location youve already looked at. It's always one of the first that comes to mind.

But does any specific location here recommend itself clearly? Think of Edinburgh Castle, that country's most famous landmark, and remove yourself westwards for 15 minutes.

You're in Livingston, in beautiful rolling countryside.

You're on the M8 Motorway, 30 minutes from Glasgow's Airport and 10 from Edinburgh's. You've got a choice of fully serviced industrial estates-including a

hi-technology park-and a wide variety of available factories and offices. You've got neighbours. Over 250 of them. Burroughs, Burr-Brown, Johnson & Johnson, Ferranti, NEC-to name just a few who are

expanding vigorously. You've got specially close research links with Edinburgh University, the Wolfson Microelectronics Institute and Heriot Watt's Computer Applications Services.

You've got Development Area status. Investment grants of up to 35%, rent-free periods, plus European Community assistance.

A Development Corporation that can put together a detailed personalized prospec-

To: James Pollock, Commercial Director, Livingston Development Corporation, West Lothian EH54 6QA. Tel: 0506 414177. Provethat Livingston is the most logical location for my company. We are/are not pushing the panic button. BLOCK LETTERS PLEASE.

Europe's most logical location.

Architecture/Colin Amery

# Ingenious solution to sound problem

London has acquired a new creaking Victorian dignity of secret. Tucked away in a court-yard of the South Kensington fastness of the Royal College of doners, feel sentimental about Music is a brand new small all the late 19th century curiosiopera house that looks right, ties that fill South Kensington,
sounds right and did not cost and it is a tribute to the ad-

3 1586

R LORENZ

sement racts

207ds 100

For some £2.7m Sir Hugh Casson and David Ramsay of the Casson Conder Partnership have designed the kind of small opera house everyone has been saying for years that the capital needs. It has been funded from the College's Centenary Appeal which the Prince of Wales lannehed in 1981 and which has been supported separately by been supported generously by commerce and industry and leading charities.

This fund has been so successful that the college has a new library, a student dining facility and common room. All of these elements fit well within the cci-lege building designed in the 1890s by Sir Arthur Blomfield. Blomfield, an architect better

known for his giant churches than anything else, produced a French baronial chateau for the site that the Royal College acquired from the Commis-sioners of the 1851 Great Exhibition. As you walk down the Albert Hall the twin towers f the College with their Camelot-like corner turrets are the first thing you notice, then the rather florid, blushing red of have understood their clients' the bricks and the ponderous, needs perfectly.

ministration and to the architects that they have both managed to expand and to remain in the old home. How splendid it would have been if the Imperial Institute had been incorporated in its entirety into the College that bears its name and sadly managed to save only the Collcutt tower.

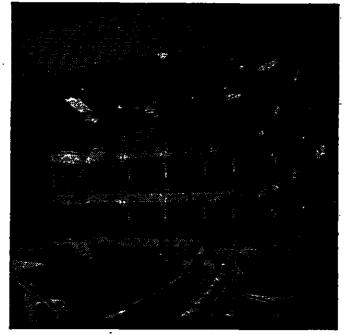
The Britten Opera Theatre will be opened on November 5 in the presence of the Queen and the Prince of Wales. For now the use of the theatre will be restricted to the students but there is no doubt that a tremendous demand exists in London for a theatre of this size and quality for opera. Mozart sounds close to perfection here, and the scale is reminiscent of the Swedish Court Opera at Droiningholm. The seating capacity is 418 and the large stage, complete with fly tower, has an orchestra pit

for up to 80 players. \_. The architects have done a great deal of homework and listening. They have measured sounds and dimensions in all the best places for opera and

The result is a traditional-looking auditorium designed to meet the exacting acoustic demands of the College. Horseshoe-shaped galleries with swelling fronts and red velvet ledges occupy three tiers and there are four stage boxes. It is the reverberation time that determines the dimensions to achieve 1.1 seconds in performance conditions demands as large an internal volume as

To fit this auditorium into the west courtyard of the school was a tight fit but the whole opera house is scaled to suit young voices and so the squeeze has benefitted both the design and the acoustic. The result is an ingenious solution that is elegant, comfortable and feels as though it has always been there. The 18th century precedent has not been alav-ishly followed but the influence is there and it is a warm and welcome one.

That enterptising gallery, The 9H Gallery (26, Cramer Street, London, W1) is playing host to one of Japan's most interesting and influential architects. Until November 14, the work of Tadao Ando is to be seen. He may be familiar to viewers of Peter Adam's recent BBC television marathon series on television marathon series on modern architecture. His houses



Creating a sense of occasion and style at the new Britten Opera Theatre, hidden away in London's Royal College of Music

understanding of the nuances of geometry that is extremely

Initially his use of concrete is hard and unsympathetic but he uses it to underline his beliefs in the spareness, clarity and almost empty interiors of traditional Japanese architecture. His concrete is smooth,

and flats and a church all with nature is not lost and the nais and a church an with nature is not lost and the instrate a refinement and elemental feeling of his work rstanding of the nuances is maintained. The influence cometry that is extremely of Le Corbusier, particularly the chapel of the monastery at La Tourette, is strong in this

The exhibition deserves large attendance because there is no doubting the authenticity and originality of Tadao Ando's work. Initially he may mixed with a blue sand and be hard to respond to but the almost silky to the touch. He understands light and the and the gloriously austere movement of the sun and the geometry is what good archi-clouds. Often his houses have tecture is all about. This show clouds. Often his houses have tecture is all about. This show an enclosed courtyard that is from Japan is a timely reopen to the sky, so that contact minder.

# The Man Who Mistook His Wife for a Hat/ICA

# **Martin Hoyle**

Oliver Sacks has already heightened form of expression inspired fascinating theatre. is lost, Of course he does every-Harold Pinter based A Kind of thing to music. So do they all, Alaska on Dr Sacks's studies This is an opera. on the return of sleepingsickness victims to consciousness in some cases after a quarter-century. Now the ICA presents a 60-minute opera based on another of the neurologist's case histories; although one ungratefully queries whether the contrast between accepted "normality" and the shnormal is not actually blurred when all is expressed with the beightened artifice of opera.

Dr P, a brilliant music teacher, has a "deficit" (a favourite neurological term) in visual perception. He describes perfectly the rose or the glove placed in his hand but is unable to tell what they are. He leads his everyday life to music. even down to eating and dressing. Without music—his own, inner music—he grinds to a halt; the vital co-ordinator between perception cation is missing. en perception and identifi-

Dr Sacks (who, with the com-Dr Sacks (who, with the composer and director, will discuss the work at the ICA at lunchtime on Friday) has described the illustration of the case by an opera as a "brilliant inspiration." And yet since opera's basic mode of communication is busic the point of the indivision. music, the point of the indivi-dual able to cohere only in the

This is an opera. Christopher Rawlence's text has added detail to the original account: a virtuoso chess-game which Dr P. casually plays while wandering round the stage and, often, actual words attributed to the patient, as when he tries to describe the picture set before him ("a snowflake, a sunflower, a map of Dresden"). The neurologist opens and closes the work with spoken narration. The composer, Michael Nyman, is best known for his

film score to The Draughtsman's

Contract. His idiom is accessible: lyrical vocal writing over an targently chugging accompaniment where—in this case apposite—musical references and quotations, and the wellknit but clear texture from the seven-strong band of plano and strings including harp, recall the immediately attractive style the immediately attractive style of Villa-Lobos's Bachianas Brasileiras with a dash of ostinatoprone minimalism. Emi-nently listenable-to (orechi-able is the graceful Italian word), at first hearing the score seems to lack sufficent rigour to

add depth to the story: superior background music, perhaps. There is a neat sense of

in Dr P's loving, loyal wife (Patricia Hooper). In Michael Morrie's production (hospital screens part to reveal the composer at the plane; the orchestra sits at a higher level of the horseshoe space) Emile Relcourt's narrator is characteristic ally quizzical and incisive (the singers' body-mikes saemed unnecessary). Frederick West-cott's afflicted academic is touching, not least because of the character's cheerful unaware ness of his malady. But how odd that his musical obsession should be portrayed by non-musical means—this man who literally lives by music merely portray a close "programme" for mouths a stlent "pom-pom" for most of the time. Despite such consciously "operatic" as the patient's jolly patter during examination, for instance, the work remains an an operatio oportunity lost.

my review of the RSC on tour rendered Rachel Joyce's name unrecognisable; and the warmth of Flona Shaw's prickly Beatrice was not ill-conceived, just happily ill-concealed. For misnaming John Shrapnel in my review of The Archbishop's Ceiling I can only blame old technology (my memory) and apologise.



Michael Nyman (at piano) and Frederick Westcott

# 22nd Bratislava music festival

One of the most noticeable developments in Czechoslovak act opera by the 59-year old life since the War has been Slovak composer Milan Novak, the growth and recognition of whose theatre experience lies a separate Slovak cultural idening the field of the musical and tity—a concept barely acknow-ledged under the Austro-Hungarian empire and papered over by the "one nation" ideology of the first Czechoslovak repub-The aim of the Bratislava music festival, which has just marked its 22nd anniversary, has been to celebrate this flowering of Slovak pride in an international context. But it has been an uphil struggle. The festival, like the city, has always. had to play second fiddle to Prague, and although it gained momentum after its re-launch as an autumn event in the 1960s, it remains a very pale reflection of the spring festival in the Czech capital.

For centuries the Slovak region has been known for the artists who deserted it for the nearby attractions of Vienna and the world beyond the composery Johann Nepomuk Hummel and Franz Schmidt were born in Pressburg, as Bratislava is known in German, and all today's best-known Czechoslovak singari Benackova, Popp. Gru-berova and Dvorsky—happen to

But none of these names appeared on this year's festival programme; the ceiling for artistic fulfilment in Bratislava remains very low, and there is remains very low, and there is ities of the contact and cross-fertilisation that provide the life-blood of healthy musical life. Although the festival organisers try to give some semblance of internationalism, their lack of currency resources. limits them to an unimpressive list of eastern bloc artists, with the occasional token western representative to satisfy the buge local curiosity.

The real value of the festival should be to provide a showcase for native talent and art, but judging from what I saw and heard during my latest visit, it does so with very mixed results. A visit by the State Theatre of Rosice brought a double bill of

operetta.

The music of Prestanka turned out to be rather anodyne, full of staccato rhythms, brassy chromatics and sub-Waltonian scherzando passages. But its very harmlessness has something in comma with the subject material, a light-hearted mirror of provincial social graces at the opera house. All the eccentric and infuriating human mannerisms you've ever seen at the theatre (including, I'm afraid, the critics) are parodied with a relish that would have been more in place in the German or English provinces than in Bratislava, where the 100-odd members of the audience seemed sober to a fault, The opera is well-suited to ensemble of modest propertions, with something for everyone. The Rosics stage production was excellent, the musical per-formance less so. There were some good voices, and a sense of lively ensemble. The Pucchi, sung in Slovak, was altogether rather hapless.

Two performances by the Slovak National Theatre showed how far standards can vary. Jan Cikker's most recent opera The Siege of Bysirice (another, his ninth, is due for February) showed neither the composer nor the ensemble in a flattering light. Anyone who knows Cikker's orchestral and choral music or his opera Resurrection (seen at the Edinburgh festival in the mid-1960s) will wonder how his dense and humourless music translates to the medium of comic opera. The answer is: it

The plot itself is a good one, concerning a count with a Basil Fawlty mentality, whose naive and rather touching humanity eventually comes to the surface through the havoc he creates. But the meandering earlymodern vocal and orchestral writing neuters its wit. One of

the house conductors fumbled through the score, and the singers, playing to another un-festive, quarter-full house, Cikker is one of three Slovak

composers who pioneered a national repertoire after the War. Today much of their music sounds dated. Alexander Moyzes died last year, and the third, Eugen Suchon, has never enjoyed a comparable reputation outside home territory, in spite of the runsway early success of his first opera,

Suchon's only other opera, Sultoplais (1960), received a sparkling festival performance under Ondrej Lenard, the com-pany's former music director, who galvanised the large choral and orchestral forces to a stirwork itself, simple but effective, evokes an ancient and turbulent period of Slovak history, aided by strong musical characterisation and a spiky lyricism that conly a Slavic composer could create. The production by Branislav Kriska, with sparse, imaginative decor by Ladislav Vychodil, captured the quality of primitive historical grandeur which has led the work to be which has led the work to be compared with Libuse and Boris

eluded a recital by a young Slovak tenor, Stefan Margita, whose unusually penetrating lyric voice guarantees him a bright career if he can get the message of the music across with greater subtlety. A programme by the Stamitz Quartet offered Martinu's seventh quartet, a civilised soothing work, a real discovery. The actual playing was dull, but the ensemble was transformed by the presence of Michael Collins in Weber's Clarinet Quintet. Almost all the new Slovak music I heard, including chamher and vocal works by Emil Hlobil, Ladislav Holoubek and Ilja Zeljenka, seemed to follow a trend towards simplicity and

Other festical impressions in-

directness.

# Scotto & Soderstrom at the Met

# **Andrew Porter**

her London debut in 1957 done. Scotto's acting was sim—Mimi, Adina, Violetta, and pler and less mannered than it Donna Elvira at the Stoll—she has sometimes been. It was a was halled in these pages as a carefully studied, not a sponnewcomer destined for fame. taneous, performance, but a ambition then led into her complete performance of heavier roles—Norma, Lady Butterfly, but a gripping one. Macbeth, la Gioconda—that Elisabeth Söderströn made took toll of her lyric soprano. her Met debut in 1959, as But she has not abandoned Susanna; she sang Marguerite Butterfly, and this season sings it again at the Met, in her own

When Renata Scotto made soft exchanges were exquisitely Her Covent Garden debut five model of a familiar opera. The years later and Met debut in rest—Vasile Moldoveanu's Pinkerton, Leo Nucci's Consul, Nello terfly, of which role she became Santi's conducting—was reliable the leading interpreter. Artistic background. So it wasn't a

and Rosalinde, Then, during decades when the world acclaimed her as a peerless acclaimed her as a peerless Strauss, Janacek and modern tion. While retaining the standard, shortened, "sentimentalised" edition, Scotio portrays last, as Mozart's Countess and the more complex character the Marschallin. Not too late, limned in Puccini's earlier versions, and does so without the

# Saleroom/Antony Thorncroft

General Sir John Asser was the man who put down the mutiny which was not started —despite the BBC—by the "Monocled Mutineer." Even so, the recent notoriety of the affair should stimulate interest in the 27 orders and medals he picked up in a long military career when they come under the hammer at Someby's on Andrew Clark Thursday. They cary a modest estimate of around £3,000.

But then, medals and decorations still seem cheap: except, that is, for the Victoria Cross. One is on offer in this auction. It was awarded to auction. It was awarded to —and allowed to do Character-Trumpet Major Robert Kells of sketches for 21 hours. Only mam the 9th Lancers who, during the Indian Mutiny, defended "against a number of the enemy "his wounded command-ing officer. The VC could make £14,000,

# Y'Shunta Joined!/Nottingham Playhouse

# B. A. Young

jeans or a skirt to indicate. The interruptions to the letter trances, exists. It's all set a desperate postponing of the news Butterfly fears it must contain, Scotio creates an intricate tragic heroine without sacrificing the pathos or the japonaiserie charm that are elements in the drams.

The voice can no longer sus
To r translated into English are home on Christmas leave. It would be wrong of me to from the argot of Mansfield, Mam provides a Christmas dinsormant the are home on Christmas leave. It would be wrong of me to from the argot of Mansfield, Mam provides a Christmas dinsormatic into English are home on Christmas leave. It would be wrong of me to from the argot of Mansfield, Mam provides a Christmas dinsormatic into English are home on Christmas leave. It would be wrong of me to from the argot of Mansfield, Mam provides a Christmas dinsormatic into English are home on Christmas leave.

The subtractions, reactions, enditions that this is inadequate more, dad has a stroke, and dies in the argot of Mansfield, Mam provides a Christmas dinsormatic into English are home on Christmas leave.

It would be wrong of me to from the argot of Mansfield, Mam provides a Christmas dinsormatic into English are home on Christmas leave.

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It would be wrong of me to from the argot of Mansfield, Mam provides a Christmas dinsormatic into English are home on Christmas dinsormatic into English are The voice can no longer sustain high notes purely or if a bit peasanty; Thomas steadily; the climaxes of the Hampson, in a Met debut, a Entrance and "Un bel dl" were confident if slightly foppish painful, But confidences and Count.

José van Dam's Figaro strong The play is a sequel to Me who has a weak bladder, pees into an ornamental vase. Barry Heath, which was a sell-out at the Playhouse in last in a pram into Christmas dinner. year's Nottingham Festival, Jimmy (Paul Oldham) goes This explains the references to through the actions of a young characters who do not appear man in love for the first time or play any significant part. I might almost say that none of those who do appear plays a very significant part, for this is one of those plays in which a gaggle of people is ushered on to the stage — man, dad, two daughters and four sons and allowed to do characters.

> dimensions.
>
> The overall situation, which takes the place of a real plot, is that the youngsters, excepting the absent Jack and Maisie,

and dad are allowed three

clapping.
Of its kind, it is all wellenough done under Andrew
Hay's direction. Nostalgic pop
records of the 50s are played
between the scenes, Ruari Mur-

chison has designed a homely two-room set, a living-room for living in, a front room for dy-ing in, and an unnecessary staircase and first floor landing that are not used. If you like this sort of thing, it's the sort of thing you'll like.

# Northern Ballet Theatre

# Clement Crisp

College of Music with a programme of three works new to Manchester. Two are creations by members of the company: the third—and most considerable—is Michael Corder's
Ancient Airs and Dances. This
takes its title and inspiration takes its title and inspiration from Respight's arrangement of Italian remaissance lute tunes and, because he is musically sensitive, Mr Corder has adopted very much the same procedures as Respighi. The score is by turns gentle, buoyant, tender, and is well played by NBT's orchestra; Charles Mande's handsome costuming owes something to Rottleelli

sance ideals, stresses pattern rather than individual display. There results a work of real charm with four couples appesting as companions and chorus to two central pairs— Daniela Buson and Marcello Angelini; Syvlie Guillaumin and Michel Mesnier, Mr Corder devises the neatest permuta gresses. tions as he interweaves little promising chains of dance, breaks and

terns or mirror images. Virtuosity is nowhere im-posed. Mr Maude's long and well-cut dresses for the women

follow and enhance the curves of step and gentle pose. The men, in doublet and hose, burst once, in a danza rustica, into bolder activity. Everywhere there are the signs of apposite movement that goes featly with representing seal pelts.

quattrocento festivities spring at once to mind as we watch this unforced, delightful ballet. Its sense of spring-time inno-cence is enhanced by Mr Maude's decorative device: he sets the action against shimmering, pearly panels of fabric, with black curtains behind. These part as the dance develops, to reveal suggestions of a sunlit landscape: the effect is visually apt and emotionally

Neither of the two creations which completed the programme on Friday night can be accounted as well-made as Mr Corder's piece. David Newson's Judging Distances finds its cast dressed pour le sport hy Hilary Norton, while Decussy's Petite suite is played by plano duettists at the back of the stage.

The choreographic argument is thta dancers must, unsurprisingly, assess distance on stage. and there is an implicit conflict and resolution associated with this theme as the action progresses. The style is lively,

seal-woman luring a hunter to performer in canonic pat- away from his true love. It is also the old story of good dramatic intentions finding less than convincing dance realisa-tion. Holst's St Paul's Suite (with electronic wave noise and seal cries interspersing its movements) is an unlikely accompaniment to fishermen beating the stage with sticks and quantities of fur fabric

# **BANK RETURN**

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# Arts Guide

Music/Monday. Opera and Bellet/Tuesday. Theetre/Wednes-day. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Philharmonie under Hartmer

Haenchen, with Ernst Kovacic, viol

in: Haydn, Mozart, Brahms (Tue to

Amsterdam, Meervaart, Isabelle van

Keulen, violin, and Mathias Weber, piano: Beetheven, Mozart, Franck (Wed). (10 73 93).

CHICAGO

Chicago Symphony (Orchestral Hall): Claudio Abbado conducting, Issae

Tchaikovsky (Wed). (435 8111)

**NEW YORK** 

New York Philharmenic (Avery Fischer Hail): Zubin Mehta conducting, Joseph Robinson oboe. Haydn, Strauss (Tue); Zubin Mehta conduct-

Ellington, Ives and others (Mon, 12.15). (Wall & Nassau Sts 269 0320).

Stern violin, Yo-Yo Ma cello. Mozart,

Thur). (414 29 11).

(Wed). (31 45 44).

# Music

LONDON

London Philharmenic conducted by Klaus Tennstedi. Bruckner. Royal Festival Hall (Mon). (928 3191). Philharmonia Orchestra conducted by Owain Arwel Hughes with John Og-don, piano. Elgar, Rachmaninov and Vanghan Williams. Royal Festival

Royal Philharmonic Orchestra con-ducted by Yelmdi Membin with Justus Frants, piano. Handel/Mack-erras, Mendelssohn and Vanghan Williams. Boyal Festival Hall

ITALY

Milan: Teatro alla Scala: with Walter Yeller conducts Rachmaninov with anist Aldo Ciccolini, Also Dukas and Kodaly (Wed and Thur).

Rome: Auditarium di Via della Concilizzione: Chamber Orchestra of En-rope conducted by Gerd Albrecht. Mendelssohn, Schoenberg, Schubert (Mon and Tue). (634 1044).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano) Berlio, Boulez, Peragalio, Petrassi, Vlad and Xena-kis (Wed). (393304).

VIENNA

srodnij, piano. Beethoven, Stravinsky, Brahms, Musikverein (Mon). Pedre Soler, guitar, Classic Flamenco.

# Vienna Symphony Orchestra conduct-ed by Ferdinand Leitner with Misha

Dichter, piano. Schumann, Brahms. Musikverein (Thur). John Shirley-Quirk, lieder, Charles Spencer, piano. Purcell, Williams, Pfitzner, Liszt. Musikverein

PARIS

Brahms Saal (Thur).

Verdi Requiem performed by Orches-tre du Capitale de Toulouse and Concerts Colonne conducted by Michel Plasson with 260 singers from the Vienna Singverein and The Prague Philharmonic Choir (Wed, Thur). Palais Omnisports de Paris-Bercy. (4342 0606).

Prokođev's Ange de Fen in concert version, conducted by Myung-Whun Chung (Mon, Thur). Paris Opera

Orchestre de Paris conducted by Christoph von Dohnanyi, Alain Moglia violin: Schubert, Lutoslaws ki, Dvořák (Wed, Thur). Salle Pleyel (4563 0796 from ipm to 5pm).

Jose Carreras recital: Bellini, Tosti, Denza, Cavallo (Mon). Théâtre de l'Athenée (4233 9732).

# **NETHERLANDS**

Vladimir Spivakov, violin. Sergej Be. Amsterdam Concertgebouw. Simon Rattle conducting the Concertge bouw Orchestra, with Maria Ewing, mezzo: Havdn. Ravel, Stravinsky

# October 31-November 6 terdam, De Doelan. The Rotterdan

WASHINGTON

National Symphony (Concert Hall):
Rafael Frühbeck de Burgos conducting, Narciso Yepes guitar. R.
Struss, Rodrigo, Falla (Tue); Mstiplay Rostropovich conducting, Barber, Schubert, Rimsky-Korsakov (Thur), Kennedy Center (254 3776). Utrecht, Vredenburg, Ken-Ichiro Kob-ayashi conducting the Netherlands Philharmonic, with Ilya Grubert, vi-

Birnmi Okada (piano). Beethoven, Brahms, Bartok, Schumann. Tokyo Bunka Kaikan Becital Hall.

metana String Quartet: All-Beethov-en programme. Tokyo Bunka Kajkan Recital Hall (Wed). (235 166): olshol Theatre Sextet with Elena

mi, with Mariko Senju (violin).

ing, Engene Levinson double-bass, Charles Rar violin, Joseph Robin-son oboe. Haydn, Hindemith, Koussevitzky, Scriabin (Thur). (Lin-coln Center (874 2424). (505 1010).

Mitsuko Uchida. Complete cycle of Mozart Piano Concertos. English Chamber Orchestra, conducted by The New Bel Canto (Federal Hall): Andrew Litton. Also Haydo. Sunto-ry Hall, Akasaka (Tue). (505 1010). English Chamber Orchestra conducted by Andrew Litton. Britten, Mozart. Suntory Hall (Wed). (505 1010). Carlos Arevalo vocalist recital as part of hunchtime concert series for the Wall Street area. Poulenc, Weill,

# **TOKYO**

(235 1661). (Mon).

Shkolnikova and Aleksandr Voroshilo: All-Russian programme, Chuo Hall (Wed). (235 1681; 237 9990). Tokyo Metropolitan Symphony Or-chestra, conducted by Kazuhiro Koi-

All-Trhaikovsky programme. Tokyo Bunka Kaikan (Wed). (822 0727). Waseda University Symphony Or-chestra conducted by Edward Heath. Wagner, Haydn, Dvořák. Suntory Hall, Akasaka (Mon. 2pm). (595 1010)

# Northern Ballet Theatre the music: Renaissance dance

last week marked its return to may never have been exactly base at the Royal Northern like this, but illustrations of

owes something to Botticelli and Buontalenti; the choreo-graphy, very properly for move-ment that looks back to Renais-

across the stage from performer

Jeremy Leslie-Spinks' Sealreforms shapes, passes ideas quir (which is Gaelic for along a line of dancers, or Hunter) is the old story of the

# FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER Staying in the Principality of Monaco

Monday November 3 1986

# A coup for Mr Miyazawa

with Mr James Baker. He has, year, in effect, persuaded the US Stro Treasury Secretary to put a floor publicly that the present yen rate is "broadly consistent" with underlying economic fun-damentals. Efforts by the Americans to talk the dollar down against the yen are a thing of the past, despite the still yawning trade imbalance between the two countries.

It is significant that the currency pact has been reached at a time when the yen is well below its recent highs against the dollar. Japanese industry's fears earlier this year that it might be saddled with an exchange rate of Y150 may now seem mis-The trading range is change may now seem mus-placed. The trading range is likely to be a much more man-ageable Y160-170, with the doubtless pushing hard for the weaker end of the

# Cheap credit

Japan appears to have neutralised the US threat of a still weaker dollar without making any material con-cessions. Certainly, Mr Miyazawa has not agreed to monetary or fiscal measures which are likely to boost Japan's very sluggish economy significantly. The half point cut in the discount rate will hardly galvanise an economy reared on cheap credit, which leading domestic forecasters now expect to grow by less than 2 per cent this fiscal year.

Nor is the much-vaunted expansionary supplementary budget a new fiscal stimulus of any substance. Japan has a supplementary budget every autumn. This year's had already been announced and offsets cutbacks elsewhere. It is expected to boost growth by no more than a meagre 0.1 or 0.2

Mr Miyazawa's third commitment is to far-reaching tax reform, which will "unleash Japan's growth potential." However, the timing and However, the timing and radicalism of the measures is beyond his control. It lies mainly with the ruling Liberal Democratic Party's Tax Commission, whose boss is unsympathetic to Mr Nakasone, the Prime Minister, and who has talked about simply neglective whole than bilateral talks.

Mr Kiichi Miyazawa, Japan's ing the reform proposals. Even Finance Minister, has every reason to feel pleased with the accord he reached on Friday to be implemented within a

Structural reforms in any case take time to produce results. Moreover, the "revenue results. Moreover, the "revenue neutral" reforms under discussion, which involve the introduction of Western distortions such as the double taxation of saving and income from capital, could easily have perverse results. Japan has enjoyed exceptional growth. partly because its tax system has not, like Britain's and America's, favoured consumption and borrowing over investment and saving.

Mr Miyazawa's diplom riumph is to reach an amiable understanding with Mr Baker without doing anything significant to speed up the Japanese economy which, in relation to its size, is doing even less than Woot Germany's to says greath West Germany's to spur growth worldwide. Mr Baker could worldwide. Mr Baker could substantial tax cuts or substantial tax cuts or substantial additional spending as the quid pro quo for the exchange rate retief the Japanese needed so despersively. That he did not is a sign of US weakness and its status as a debtor that needs Japanese capital to fund its budget deficit.

# Bilateral accord

Friday's accord between the US and Japan is another step along the difficult road from freely-floating to managed exchange rates. The fact that, unlike last year's Plaza agree ment, it was a bilateral accord is worrying. If the Japanese have indeed locked into a relatively favourable dollar rate, then the strain of any future dollar weakness could be borne by Europe alone. The cross exchange rates between major currencies are

not of interest only to the two countries directly involved. The D-mark's value will inevitably be affected by the Baker/ Miyazawa pact, as will sterling's. West Germany and the UK are thus likely to pay a penalty for failing to support US calls for economic co-ordination in would be desirable in future if currency agreements, how-

# The road from Helsinki

security and co-operation in building measures is an Europe will provide the first outstanding example — the opportunity for joint stock-taking of East-West relations len short in implementing the after last month's near-miss so-called "Basket Three" prosummit between President Reagan and Mr Gorbachev.

If world interest is focussed more on what happens on the sidelines of the conference—the bilateral meetings between Mr Shultz, the US Secretary of State and Mr Shevardnadze, his Soviet opposite number—than on the official proceedings, that is only natural in the circum-

After the breathtaking progress on nuclear arms control made at the Reykjavík summit, even though it did not end in agreement, expectations in both the Western and Eastern countries have been raised to the roint where a return to pre-viously entrenched positions

# Principal tasks

Though h not concerned with nuclear arms condirectly with nuclear arms con-trol, the importance of the so-called "Helsinki process" lies in the fact that it deals with a wide range of other potential areas of East-West co-opera-tion. These include human rights questions, military confi-dence-building measures and economic and scientific co-operation. For the West co-

dence-building measures and economic and scientific cooperation. For the West, at Mest contacts, which were least, it is important that any improvement in East-West relations should take place in a between the two blocks were balanced way and not be soured by events in restricted to security problema. Afghanistan and Poland. Not One of the principal tasks of the Vienna "follow-up" meeting, the third of its kind since the Helsinki Final Act was signed 11 years ago, is to examine the extent to which the signatories have complied on its admittedly meagre overall achievements. To abandon even an inadequate lever on Soviet policies when there is mo obvious alternative would hardly be in the West's best interest. security field - the agreement

THE meeting in Vienna this reached in September at the week of the 35 signatories of Stockholm Disarmament Conthe 1975 Heisinki agreement on ference on military confidencevisions of the Final Act. These include such commitments as the creation of better condifamilies, marriage between citizens of different states and

> After an impro Soviet human rights policies in the 1970s, when the rate of political arrests dropped by over 50 per cent and emigra-tion of Soviet Jews and other religious and ethnic minorities was facilitated, the present decade has again seen a marked deterioration

# Powerful arguments

information.

seems inconceivable.

As the architects of the Reykjavik summit, Mr Shultz and Mr Shevardnadze can be expected to do their utmost in Vienna to find a basis for a resumption of the stalled nuclear arms negotiations in Geneva. It is to be hoped, however, that their energies will ever, that their energies will of Germany—and have always not be entirely diverted from the subject matter of the wider conference.

Europe—not least the division of Germany—and have always put the emphasis on its security the subject matter of the wider expects. By confrast, the conference. West's attempt to achieve results in the human rights

results in the duman rights area has not brought the hoped-for improvements.

Yet there are powerful and fundamental arguments in favour of continuing the whole exercise, tedious and unfruitful as it might sometimes

appear.
The Helsinki process underlines the US's commitment to Europe. It is the best existing

THE Cruzado Plan—Brazil's much - lauded heterodox shock treatment for hyperinflation — was most remarkable for the apparent painlessness of the cure. Now, nine months later, with the original plan on its deathbed and

plan on its deathbed and Cruzado II imminent, a dose of orthodox pain is high on the list of remedies. With demand far outstripping supply, wages soaring and investment stagnant, intolerable infiationary pressure has been building up in the price-frozen

conomy.
Yet until the other day, with key elections just three weeks away, the Government doggedly insisted that its patient was doing well. Fiscal measures and an unfreezing of prices were repeatedly ruled out, despite a Greek chorus of industrialists and economists cluck-ing nervously at the economy's bedside.

Now everyone, even dent Jose Sarney in of of his weekly radio addresses, has admitted that something must out of the scalding pressure cooker of the Brazilian economy -some price rises, and hence more inflation, look inevitable. The question now uppermost in the minds of Brazil's businessmen, academics and foreign Government prepared to be?" At stake is the country's ambitious development programme aimed at meeting its heartfelt objectives—the eradication of poverty by the end of the tives - the century and a seat as of right at the high table of the world's

great industrial powers. But the political problems involved in setting the economy on a straighter course put Mr Sarney in an acute political

"If they carry out a fiscal reform, getting rid of the wagese trigger, and include some unfreezing of prices and a gradual squeeze on spending, they could return to the kind of growth levels that haven't been seen since the 1960s," says professor Rudi Dornbusch, a long-time Brazil-watcher at the Massachusetts Institute of Tech-If not, however, the conjunc-

tions of factors that are now equeezing crucial investment, and fuelling inflationary pres-sure, will continue to inhibit real growth potential. The Dornbusch prescription, with varying emphases, is

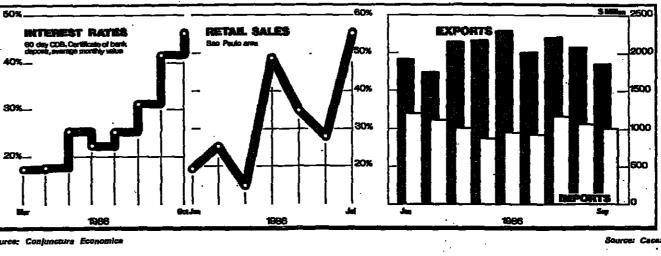
shared by a clear majority of analysts. But there are serious months' experience, as to whether the Government has the resolve to take the difficult steps that are needed now. in part, this is because of the

sheer political potency of the Cruzado Plan, which in hours transformed the Sarney Government from five-stone weakling to popular superman. The higher wages and extraordinary employment growth that accom-panied the plan will undoubtedly play a major part in what promises to be an overwhelming lection victory for the Government parties and their allies. To follow such a triumph with reversal of these gains, even if only pertial and temporary, would smack too much of

Where, then, were the weak-nesses in the February plan? And why are such orthodox ents now being widely advocated?

First, the plan was and is still regarded as an outstanding success. Overnight, it de-indexed an economy riddled with infla-tion-proofing devices, imposed blanket wage rises and a rigid

# THE BRAZILIAN ECONOMY



# A suitable case for shock treatment

By Ivo Dawnay in Rio de Janeiro

price freeze and created the psychologically powerful fixed-rate unit of currency, the cruzado by knocking three zeros from the discredited cruzelro.

Its targets were twofold: 20 Its targets were twofold: to break the "inertial" inflation, the vicious spiral of anticipated price and salary rises that had set Brazil on course for inflation of 500 per cent a year; and to end the inflationary neurosis that had sapped confidence and

starved investment.

It has succeeded triumphantly in the former, but failed lamentably on the latter. Why? The strategy's impact was almost instantaneous. Production, already growing, soared. Higher still went consumption, as earnings and the number em ployed rose sharply alongside. According to FIESP, the owerful Sao Paulo industrialists' federation, output in several sectors—mainly con-sumer goods—increased more than 50 per cent, with wages almost keeping pace.

But the sting in the boom's tail was not long in coming. While industry, already close to capacity, began to bump against production ceilings, the consumer rampage continued, fuel-ling inflationary pressures, and creating price-freeze-busting black markets and shortages. black markets and shortages.

Worse, the public's endemic
lack of confidence in the
Government's "zero-inflation"
target inspired a run on
savings, leaving cash-starved industrialists to watch as invement resources, vital to lift capacity, were splurged in the stampede to the shops.

Total deposits in the nation's savings accounts, down at one point by some 32 per cent, have since been cajoled by Governexuberance, Mr Dilson Funaro, the Finance Minister, had

launched in July a package-heavily taxing cars, fuel and foreign travel—simed at squeezing the spendthrifts and providing financial fuel for the Government's ambitious \$25bn four-year industrial and social development plan.



President Sarney: something must be done

President Sarney rejected the still higher tax in-creases originally sought by the economic team. now believed to be much less

tions of cattle—involving the Air Force and heavily armed police-meat is still scarce. So too are innumerable other products from paper to medicines, while poor harvests and export commitments have hundliatingly forced Brazil to import

For industry, the picture is margins stayed frozen.

By attempting to hold out for zero inflation, the Governbleaker. While profits, through higher volumes, have improved. bottlenecks in the supply of raw materials and machinery ment restricted its own room to manoeuvre, leaving often re everywhere.

absurdly low loss-generating
The motor business is a tariffs for key State company

ment measures back to their ing parts of Brazil resemble a prime example. While consolers lin a bid to contain consumer Europe. Despite much-publication of the contain consumer and the contain co new list price for cars six months old, 18,000 uncompleted vehicles are now sitting in the manufacturers' yards for lack of spare parts.

a serious drift in the key indi-cators. Official March-to-GDP.

and a golf cart. A Californian

pruning of Government expen diture should be the principal instrument, with the closure of some State enterprises. Others, at the Planning Ministry, for example, favour using increased

Central Bank believes that sharp

centred on the

taxes as the main route. Independent economists tend to argue that this is not an "either, or" choice—both must be done. In addition there must be selective price rises.

In total, the impact of removing subsidies and distortions on 10 key products could be to raise inflation by some 30 per cent—an option that the President appears unlikely to

The effects of such a pro The effects of such a programme-cutting package would be to put a severe brake on growth, though the various think tanks differ over how acute. Prof Celso Martone of the University of Sao Paulo (orientated to Chicago-style economic thinking) claims that confidential Government models envisaging a slowdown to 3 per cent growth are optimistic. "My feeling is that, if they are serious about the adiustments, negative growth is inevitable during a period of six to nine during a period of six to nine months," he says.

Others take a less catastro phic view, arguing that a tip in the limited supply of funds away from the consumer to-wards the investor would be enough to allow a reasonable performance by industry in

September inflation

840m, almost \$400m down on

Blanket wage rises over-

"shock " treatment, earnings in

The plan also promised further rises when prices increased by 20 per cent, another spur to inflationary expectations.

• Companies at the retail end

of the production chain found

prices of raw materials and intermediate goods continuing

to go up while their profit

products from steel to energy.

• The July package failed to

both countries were squeezed.

and Argentina tried

1987.
The unanimous cry from industrialists is for the return of some kind of stability and edictability in the medium

Mr Funaro is counting on a satisfactory solution to the debt question as one essential source of budgetary relief. Word from the recent World Bank/IMF annual meeting in Washington, and banking circles visited by the Finance Minister in a series of whistlestop world tours, sug-gests that he may be making some progress towards his declared target of negotiating down Brazil's annual servicing payments towards his target ceiling of 2.5 per cent of GDP.
Brazilian xenophobia is per-

haps the biggest single factor inhibiting the inflow of investment from ahroad. It will be voiced by a peculiar left-right alliance that President Sarney's Centrist Government will need to combat in the new Constituent Assembly to be elected on November 15. compensated for the loss of regular indexation. When

Beyond the short term, Brazil's essential confidence in itself remains solid and justi-fied. It is blessed with boundless natural resources, a huge market, a thoroughly mixed economy and skilled workforce Next year, even if growth slackens, there are positive forecasts for a strong recovery in several primary commodities -coffee and soya are two-

recently hit by drought.

Nevertheless, the other side of Brazil — the impoverished north-east, for example — badly needs the kind of capital-intensive investment that the development plan advocates.

But there is a widely shared consensus between academic

economists and industry that this can be achieved only by year. Despite, or perhaps because of, the plan's popularity,

T-2

# **Hutton's** opening bat

Selling US equities to European institutional investors is still too new a business to describe Geoffrey Bunting as its grand old man. But the 41-year-old freer travel and exchange of old man. But the 41-year-old American, who is a commander in the US Naval Reserve, was one of the first such salesmen when he started in London in 1970. Now after 15 years with Merrill Lynch, he and two colleagues, Richard Spring and John Booth, have signed a deal setting up a perfection to do

John Booth, have signed a deal setting up a partnership to do the same job away from Merrill's "Pentagon-like atmosphere," as Spring describes it. Their Hutton International Associates is being backed by E. F. Hutton, another leading US stockbroker, but one which has a poor image outside the US. While Bunting and his friends will take a share in the profits E. F. Button is putting profits, E. F. Hutton is putting up the basic capital and paying them salaries.

For E. F. Hutton it is a cheap way into a market which it has too long ignored. None of the partners was lured by the sort



# **Men and Matters**

of "golden hellos" being paid elsewhere in the City. The part-ners will have access to all E. F. Hutton's research and its dealing capability but hope to re tain the flexibility of a small team of around a dozen people

After two years both sides will review the deal, and as Spring points out, the team, untrammelied by golden handcuffs, is "highly portable." So far, they reckon, the response from their old clients has been good, even though many of them have never dealt with them have never of E. F. Hutton before. have never dealt with

# Name dropping

Hungary has ordered shops and snack bars to drop their English-sounding names and, in the words of one Budapest newspaper, to state their business "in plain Hungarian." Every other boutique (if

you'll pardon the expression) in Budapest has the word "shop" above it; and snack bars are plastered with "hot dog" and "hamburger" signs though they serve tastler Hungarian vertions

Hungary took action 15 years ago to control the penchant of Hungarian parents for giving their children foreign names such as Renata, Klaudia and Patrik. The Institute of Linguistics

in Budapest rules on such foreign-sounding names if they are not listed in a volume of are not usted in a volume of approved names compiled in 1971. Agnes Biro, a member of the Institute's staff, says: "If there is a Hungarian equivalent, we try to convince the parents to choose it." Strange names may be fashionable only for a short time, she explains, but the child will have to bear the name for a lifetime.

Yet the Institute thoroughly approves of such names as Mandula (meaning almond) and Maina (raspberry).

# Expo expense

Canadians are apparently learning to live with the cost of staging international events.

Ten years ago, the Montreal Olympics finished £1.13bn in the red and saddled Quebec's taxpayers, it was said, with "a permanent debt." That was judged a disaster.

Now Canada's latest showniese, the Expo 86 World Fair

piece, the Expo 86 World Fair in Vancouver, looks as if it will have cost about the same. But nearly everybody agrees it was a huge success. Expo 86 attracted 22.1m

visitors — far more than ex-pected, thanks to Vancouver's brightest summer for years and American tourists' fear of terrorism in Europe. Despite that, and a C\$2bn contribution from the Canadian and British Columbia governments, the fair was still C\$300m in deficit. But that was a lot less than had been feared — and at least the people of Vancouver have a rapid transit system and a new convention centre to show

Nor have the Expo organisers yet given up hope of more income. They managed to squeeze a few million extra squeeze a few million extra
dollars out of the public last
week at what they claim was
the world's best-attended
auction sale — of Expo paraphernalia. More than 20,000
souvenir seekers crowded into
a Vancouver stadium to bid for
100,000 items, no longer needed
now that the five-and-a-halfmonth fair is over.

The wife of British
Columbia's Premier led the way
by buying some picnic tables

woman went away with a windseek. A purple rack for tricycles fetched C\$125. The entire crescent-shaped

Ontario pavilion is still up for sale — but a provincial lottery is expected to raise most of the C\$270m yet outstanding.

# **Evening shadows** If the sun fails to shine today,

tomorrow's newspaper will be free. A foolbardy promise in Fleet Street bingo wars, per-haps, but Florida's Evening haps, but Florida's Evening Independent has had to deliver on its "famous sunshine offer" only 294 times in nearly 76 years.

Not since August 31 last year has the sun failed to make at least one daily appearance in St Petersburg, so Major Lew Brown clearly hit on a winner in 1910 when he launched the campaign to promote not only his newspaper but also the "Sunshine City." The shadows are lengthening

however, and the sunshine offer will be eclipsed altogether this week when the Independent closes, a victim not of clouds on the Florida Gulf coast, but of the falling circulation that has claimed many US evening papers in recent years.

# High days

Bill Jordan, president of the Amalgameted Engineering Engineering union, yesterday coined for a union conference in Liverpool a new term to describe the 1970s days of trade union power—the "days of whine and rises." As he put it: "When the gaffers whined and we got rises."

# Measure for measure

Heard in a Berkshire pub: "Give my wife an inch—and the whole family is on a diet." Observer

# faults began to feed through. None of this augurs well for any forthcoming second shock. the Government is likely to find As almost all Brazilian economists now agree, the Governion of wealth it achieved strong mists now agree, the Govern-ment's strategy must now All too suddenly, the disequilibrium in the Brazilian market has apilled through into a serious drift in the key indicators. Official March-to March-to Miss now agree, the Government in the total meat to swallow. The old tongue-in-cheek ment and reducing its deficit to not more than 2 per cent of cators. Official March-to GDP.

# A CONFLICT F INTERES Try telling him that. He's probably never heard of a

pension fund manager, but he knows that someone looks after his monthly contributions. If he had to suffer because his interests hadn't been fully protected he just might find it hard to understand. Geoffrey Morley are independent, not

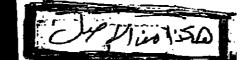
for independence sake, and not because we wish to adopt a higher moral tone than our competitors. We are independent because we believe it allows us to make better investment decisions, and thereby achieve higher performance. It keeps us free to buy or self whenever we consider it right. It lets

us seek out whatever information we want and from wherever it is to be found. It means we underwrite only when we genuinely want to back a company. We are independentity owned and dedicated solely to managing pension funds, so you may also find it reassuring to know that the fees we earn are our only income. For further information contact

Brian Shearing on 01-242 1441. Remember us next time you hear someone explaining the role of their compliance officer; it could be in your best interests.

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# THE BBC UNDER FIRE

# Defusing Mr Tebbit's bomb

By Christopher Dunkley

THE BBC man who stands rest of the first in Norman Tebbit's line of fire is not Alasdair Milne but Alan Pro-

Mr Milne is Director-General and must, therefore, take reand must, therefore, take responsibility for any cans that finally have to be carried. But it is Mr Protheroe, as Assistant Director-General, who is specifically charged "To exercise on behalf of the Director-General the daily function of Richards." the daily function of Editor-in-Chief and to be responsible for the standards of journalism throughout the BBC."

It is a job which the robustly cheerful Protheroe describes as "Officer in charge of bomb disposal and damage limitation on the Titanic."

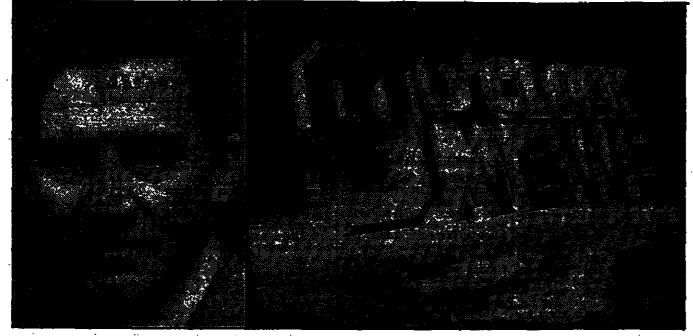
The military analogy is characteristic. Protheroe did his national service in the Welch Regiment, and is today a Colonel in the Territorial Army. His well-known enthusiam for the forces (he has a Military MBE and is a familiar lecturer at Army staff colleges) is seen on the BBC's lower decks as proof of extreme right-wing as proof of extreme right-wing

If he is secretly one of the left-wingers that Conservative Central Office seems to believe have taken over the BBC, then his cover is worthy of Le Carré. The son of a Welsh clergyman, Protheroe went to Maesteg Grammar School and then, without the benefit of university, rose from the Glamorgan Gazette to BBC Wales and on up the BBC ladder to become Editor of News and Current Affairs prior to taking up his present post as "bomb disposal

The latest bomb is, of course, the hefty report from Conserva-tive Central Office about two BBC news programmes, covering the American raid on Libya, and with it the bitter attack by Conservative Party Chairman Norman Tebbit, extrapolating from the Libya example to any the Libya example. ample to accuse the BBC generally of adopting "an in-creasingly subjective and confrontational style of news

Forewarned that the subject was Libya, the BBC worked out long ago which programmes would be arrolved, and began, under Ron Neil, Head of Tele-

Yesterday Milne and Prothe- lation is a damnable thing in



Alasdair Milne, the BBC Director-General. But it is his assistant Alan Protheroe who is first in the firing line

Judging from Protheroe's remarks to me on Friday even-ing, the response will be de-termined and vigorous, though not entirely without acknow-ledgement of error. Amid the welter of details thrown up in the Teiblet documents, almost all of them concerned with editorial shades of grey rather than obvious blacks and whites, are one or two which would worry most experienced journaworry most expenses of journa-lists. For instance the phrese "... all the indications are that this [the killing of three Bri-tons in Libya] is just the start of a campaign aimed at Britain and British targets" is a claim which any news editor would

teers the view that speculation without solid evidence has no place in a BBC news pro-gramme. Indeed he goes further and declares: "Specu-

Protheroe agrees, and volun-

toe were considering the BBC's line-by-line rebuital which will butlon is very, very, very important." He also describes his own campaign, sustained Chairman, and the rest of the board of governors, prior to public release probably to-mozrow or on Wednesday.

Indiana the probably to-mozrow or on Wednesday.

Destruction of the broadcast journalism, and attributed in very, very, very important." He also describes his own campaign, sustained over many years, to ensure that BBC news writing is "unbounded and non-adjectival: 1 am for ever banging on to trainers about cutting out the am for ever banging on to trainess about cutting out the adjectives and not making assertions." Suggest that Norman Tebbit might feel this Norman Tebbit might feel this damaging linguistic usages."

On the other hand Protheroe accepts the criticism: "It's been my when based on expert know-

greatest failure over the past

five years."

One of the main objections in the Tebbit documents is to the tone of the "Headlines" in BBC news programmes; what BBC news programmes; what he describes as "Speculative phrases purporting to be hard fact in the key opening seconds:

Britain is paying the price... terrorists and bombers have struck against the British people ... punishment for the Libyan attack ... long arm of Arab revenge ..." and so on. Protheroe's views on this subject seem startlingly similar to Tebbit's

He says: "I am very glad that we have envel away gradually from the cold, naked, news billetin which had long outlietin which had

critical and they must not be BBC was now under attack? assertions: The world is waitling for . . . . who sous this? Is
the BBC saying it? What is our
evidence? How old is the lad must of course be perfection, evidence? How old is the lad must of course be perfection, who wrote that? What is his but to expect it is like expect-background? What is his expering a newspaper to appear ence? How does he know? Our without a single misprint." He weekly News and Current produces a brief analysis of Affairs meeting does use ridi-clue to expose some of these

Protheroe is far from apologetic about the departure from the BBC's wartime news function of purveying lists of facts. He says: "I am very glad that we have moved away gradually from the cold, naked, news bulletin which had long out-lived its usefulness, and into

the Corporation's news and cur-rent affairs content in 1984-85 2,818 hours on network television (29 per cent of the output). 7,412 hours on network radio

(22 per cent of the output, 41,272 hours on local radio (33) per cent of the output).
19,051 hours in the English language World Service (50 per cent of the output).

a struck against the British people ... punishment for the Libyan attack ... long arm of Arab revenge ... "and so on. Protheroe's views on this subject seem startlingly similar to Tebbit's "Headline writing is one of the most dangerous areas; it is a terrible trap," says Protheroe. "Those words are absolutely as the most dangerous areas; it is a terrible trap," says Protheroe. "Those words are absolutely as the most dangerous areas; it is a such as the produce and other institutions have functional magnatines counting and other institutions nave function the national magnatines counting a much the public output is bigger than that of Fleet Street and of the intuition in our news programmes. Today we are continued in the national magnatines counting a much the public will have accomes to the national magnatines counting a much the public will have accomes to the national magnatines counting a much the public will have accomes to the matter than that of Fleet Street and the national magnatines counting a much the public will have accomes a daily into the situation; that there could be a consistent of the situation; that there could be a consistent of the situation are dimensional magnations come the national magnations come the national magnations come the national magnations come that the public output is bigger than that of Fleet Street and the national magnations come that the public will have accomes a daily the protess of privatisation has the public will have accomes that the public will have accomes the matter of the start inside the BBC there are dimensional magnations. The currency of the substantially increased the number of the situations becomes a daily the protess of privatisation has substantially increased the number of the start in the public will have accomes a daily the protess of privatisation has substantially increased the number of the start in the public will have accomes and the protect of the start inside the BBC there are dimensional magnations. The securities markets have a beautiful of

remarkable thing is that there are so very, very few errors." That enormous size, however has been advanced by some critics as a reason for breaking up the BBC and forming smaller independent organisa-tions. Some suggest simply splitting radio and television; others would set up each channel—BBC 1, Radio 1 and so on—as a separate unit, claiming that this would increase pluralism and avoid the danger of the BBC becoming a hiased monolith. Protheroe's response is the "seamless web" argument if, for example, you separate local and national radio, then Radio 4 would promptly have to form another. promptly have to form another structure very much like the present chain of local stations to provide itself with local news and to serve as training areas for tyro journalists. Instead of

has to be considerable, and the

Not only does Protheroe believe that there is no con-sistent political bias in BBC news, he also finds it difficult to accept that anybody else seriously perceives it in that way. So how does he explain the current onslaught? He believes it is partly an old problem: that people interpret a BBC report of an event as being tantamount to approval

reducing costs you would in-crease them, he claims.

As an alternative explanation As an alternative explanation Protheroe says, jokingly but with a weary seriousness behind the humour: "After 30 years in the BBC I could write a damn good book sustaining the thesis that there are forces at work in this country devoted to the destabilisation of the instruments of information."

ments of information."

He is utterly serious, however, in suggesting that there is a "smear" element in the current attack: "It's the old "Those are mind-bending sychological warfare trick of figures," says Protheroe. "What ropeating and repeating a thing I find faintly unbelievable is until people start to believe it; that some people don't seem this constant repetition of able to see that the BBCs "They're all pinkos at the journalistic output is bigger than that of Fleet Street and "Broad Para"

# Lombard

# Stirrings in the savings market

By Richard Lambert

PASSENGERS on the number Money show was the strong pre-73 bus in West London have sence of British and American had a chance to see an event stockbroking firms. A few years of social and even political significance over the past few days. The British have been days. The British have been brought up to believe that the sible to deliver sophisticated subject of money is both boring financial products to small in-

one was the scale and range of exhibitors—over 250 stands transactions on the spot. There is no reason why such a system could not be extended to other medianes. The second was the number of paying customers anxious to spend time crawling all over the exhibitions.

Lump sums

On Saturday, nearly 6,000 people—mostly rather prosper-

On Saturday, nearly 6,000 people—mostly rather prosperous tooking, but of all different ages—filed through the barrier. Total attendance over the four days could have nudged 24 tooks. What on earth was their motive?

One explanation is that more creasingly significant source of that inertia can be expensive.

This has been sourced dwallings to the country account over the period. Savers have learnt that inertia can be expensive. finance—the number of owneroccupied dwellings in the UK
rose from just over 4m in 1951
to 134m in 1984—while pension
and redundancy payments have
also become much more
important. For the first time
in their lives, many people in their lives, many people find a need for financial

advisers they can trust. Politics have also played a hig part, both in opening up the market and in attracting new customers. Building societies and banks are moving head-to-bead into each other's territory. The traditional life companies have lost the unique tax full impact of home ownership privilege which used to provide and the spread of pensions has such a competitive edge, and yet to be felt. Changes in the have been forced to look for structure of building societies other ways to sell their services. and other institutions nave

ago, most of them would simply not have been interested.

and in bad taste. But attitudes vestors at an economic cost ror instance, National Westminster was demonstrating a touch sender was the scale and range customers to execute share transactions on the spot. There

more attractive to savers than was the case during the period of high inflation. And thanks to the performance of the stock markets since 1981, investors willing to take risks of equity investment have been able to secure very high returns. A typical unit trust has returned people are finding themselves typical unit trust has returned with sizeable lump sums to roughly twice as much as a invest than ever before. Housing is becoming an in-

well ahead of building society inflows.

# Passing phase

The question is whether this is all just a passing phase. Sooner or later, conditions in the financial markets will change for the worse. Yet the

# Changes at the

tiate.

From Mr H. Mursden.... Sir,—You kindly printed my Mr P. G. B. Wills, chairman of the membership committee has replied (October 30), presumably with the authority of the Stock Exchange Council.

Exchange

Perhaps I might be permitted space to reply to his very selec-tive reading of my letter. I am certainly-self interested but as my letter made clear only so far as I feel other parties are also self interested.

said "one now accepts that the merger with International Securifies Regulatory Organisa-tion is in the national interest and in the interests of the larger Stock Exchange member firms." The health of our whole organisation is indeed necessary for the health of individual members, and our clients and other users of our market. The main point, however, which has been but to members is the vote on whether we should join up with ISRO.
On this the Stock Exchange authorities have hardly presented their case, let alone any facts as would be required should two quoted companies. be putting merger proposals to the quotations department of the Stock Exchange for pre-sentation to shareholders for

I wonder for instance: who the members of ISRO; what are they bringing to the merger since their organisation does not obviously have either assets to match ours nor an organisation in place to cover the merger in the merger market. the running of a major market as we do; and what rule book does ISBO have and how will our standards of conduct which have been generally con-sidered by definition of the highest calibre, be affected by

the merger?

if we are to put ourselves on an equal risk basis clearly the major question for members is one of unlimited liability. Could not the council give us the arithmetic of the possibility of feeding our service sections ints limited liability companies? Members might actually prefer to have the choice put to them.
Should not the council put to us the comparative methods used for instance in New York and Tokyo who will be our main competitors and indeed tell us the cost we might incur to join those markets?

inose markets?

If Wills in his second paragraph states that "Members will in the near future be a minority group." He is assuming that the vote will go through but in the meantime I feel he charles stee us due feel he should give us due

recognition:
The present position which I have checked with the Stock Exchange, with regard to supporting the compensation fund ferred to the partnerships not the delay in settlement was the delay in settlement was

# Letters to the Editor

or so. Clearly, if the firms fail to support the fund sufficiently the liability would rest with the

Our main liabilities at present however, are the systems put in place at great cost by the council in the past two years. This is real and immediate and the council may yet have to justify the whole Exercise.
Mr Wills clearly states that ISRO has made a choice to join

us but it is necessary for us as members to know the end product on which we are voting as to whether it is in the interests of our clients and ourselves. Any mention of payment to members is illusory as a figure has been mentioned which will be vastly reduced by time and inflation to members even in the middle of their career. The the middle of their career. The size of it in any case is not relevant compared to our turnover and our profits, but that is no reason to make it meaningless. We have a valuable asset not only in our organisation which is in place and working, but in our systems which could not be easily duplicated and indeed in our building which is in the most prestiing which is in the most presti-gous position and in the greatest of demand at present. Even if we were not to require all the space the LIFFE markets and the traded options markets and the traded options markets may well require this and should surely pay the full market price for a unique area and back-up facilities. Hugh J. L. Marsden. 29 Abbotsbury Road, W14.

Settlement by

the BBC From Mr M. Varcoe-Gocks. Sir.-In their letter (Octo-

ber 29) MPs Mr Hamilton and Mr Howarth profess to be amazed by Malcolm Ruther ford's assertion (October 24) "that Mr Milne decided last summer to settle out of court," whereas what Mr Rutherford actually wrote was that Mr Milne changed his mind in the summer about the BBC's chances of putting up a good fight in the Panorama libel case and "that there must be an out-of-court settlement," a subtle but important difference obviously Mr Milne decided that the BBC should start negotiations to settle on reasonable

What is more important is the fact that Mr Hamilton and Mr Howarth leave totally un-answered Mr Rutherford's

that they wanted their claims settled simultaneously whereas the BBC wanted to keep the claims separate. The MPs ask why the BBC

would not subpoens the key witnesses who seemed to be no longer willing to appear, im-plying that subpoenas would re-solve the problem of rejuctant witnesses. What Mr Hamilton and Mr Howarth did not mention—and surely their legal advisers would have so in-formed them—is that sub-poenas would not have compelled any of these witnesses who were MPs as they cannot be compelled to give evidence during Parliamentary sessions: while the trial was in progres Michael D. Varcoe-Cocks, 17a, Navern Mansions, Warwick Road, S.W.5.

Plessey and **GEC** 

From the Deputy Chief Executive, Plessey

Sir, -- We are responding to the Justinian piece (October 27) in order to correct some significant inaccuracies and to contradict its thesis that Ples-sey filed suit against GEC in Delaware for violation of the US securities laws merely as delaying tactic in response to the recent bid. Plessey had at the time 1.2m ADRs, held by about 3,000 persons, listed and traded on the New York Stock US securities laws, regardless of the exclusionary terms of the GEC offer. Each ADR holder could as a legal matter convert his ADRs to ordinary shares and tender the latter in re-sponse to the GEC bid (in which case they could only re-ceive the cash consideration provided for in the offer document) but none of them had received from GEC the tender information required by the US

Plessey filed suit seeking only mandatory injunctive relief to force GEC to provide this inmade to enjoin the offer, and providing the rather straight-forward information required would not have been burdensome or time consuming. In determining to so limit the relief sought, Plessey had due regard, as it was bound to do, to the interests of its share holders generally and the pro-visions of the City's code on takeovers and mergers precluding actions taken to frustrate a

bonafide offer. The court ruled 62 Gibson Square, N1

against Plessey's motion for pre-liminary injunctive relief but no adverse final judgment was ever rendered. Plessey volun-tarily and without prejudice withdrew its action as moot once there was an MMC reonce there was an MMC reference in the UK, reserving the right to refile had GEC been able to renew its tender. The MMC's decision provided the final denouement of this "quintessentially British" matter. Warren J. Sinsheimer.

Inflationary

spiral From Mr S. Mobbs

Sir,—John Muellbauer argues convincingly (October 23) that the housing market is a key link in the UK's domestic inflationary spiral. However, his assertion that the main culprit is tax relief on mortgage interest payments is question able. Tax relief increases the level of house prices above what it otherwise would have been. It does not follow that it has any impact on the rate of change of house prices, i.e. house price inflation.

Neither is it clear that mort-gage interest relief increases the regional discrepancy in house prices — expressed in house prices — expressed in proportional terms. Indeed relief is likely to have a greater where a greater proportion of mortgages are below the £30,000 threshold. It is even less clear that interest relief has been responsible for the increase in regional discrepancies in recent

Muell ratter recommends policy action aimed at depressing the level of house prices. But 'ar from aiding labour mobility as he claims, this would be likely to hinder labour mobility by locking heavily borrowed individuals Muelibruer is right that the Retail Price Index does not reflect the sharply increased cost of living for those buying or about to buy a house. He might have added that the cost of living has also increased for existing homeowners.

This is because a cost of living index should reflect the cost of buying a certain standard of living, an element of which is the cost of housing. At the same time house owners should record any capital gains on the capital side of their balance sheets. This is the approach taken in the US CPI where the housing cost for houseowners is calculated as an

This is not the case in the UK RPI, which therefore understates the true rate of inflation when, as at the moment, house prices are rising rapidly. This interesting macro Taises economic questions such as how far has the UK inflation rate really fallen in recent years?

imputed rent.



# Alexanders Laing & Cruickshank Holdings Ltd

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# FINANCIALTIMES

Monday November 3 1986



Roderick Oram on Wall Street

# the tune of tax reform

THE SHEPHERDS' Song after the Storm, the final theme from Bee-thoven's Pastoral Symphony, tax reform if the lines are busy when they call Merrill Lynch, the world's largest retail stock broker.

ing up a bucolic idyll after the tem pestuous previous movement, calms callers on the special tax ad-vice numbers until a Merrill representative is free to take their name

Demand is so brisk for Merrill's guide to the tax and investment implications of the reforms, which come into effect in a matter of weeks, that callers may get the mu-sical interlude even if they ring late

at night.
"We had 2,000 calls in the first two hours the lines were open," said Ms Mary Rudie, Merrill's director of consumer marketing services.
"We're expecting requests for 80,000 booklets," two-thirds from people new to the firm.

The most radical reform of the US tax system in 40 years has prompted a huge surge in advisory services from brokers, financial planners, accountants, lawyers and anyone else who has an idea or

shelters, deductions and loopholes in exchange for substantially lower tax rates, the reform is forcing a fundamental shift in personal fi-nancial strategy. Tax "efficiency" will come from investing to gen-erate income rather than from taking on debt and sheltering earnings from the internal tax service.

New products abound with firms of stocks in industries likely to benefit from tax changes or high yield-

Tax payers are eagerly seeking advice on how to reorient their inresiments and minimise the pain of 1987, the transition year when deductions will be hustled out more quickly than lower tax rates ush-

High earners have the higgest problem. So efficient are legitimate tax minimisation ploys under the present system that people earning more than \$200,000 a year pay on form, the highest tax rate will be "only" 28 per cent with minimal scope at the moment to shave it.

Wall Street investment advisers are blanketing print and electronic media with advertisements. All offer toll-free phone numbers, some open round the clock, so eager tax payers can sign up for information

Merrill Lynch has opened up its own direct broadcast by satellite system, normally used for internal communications, to address the public. The firm is inviting investors into its 370 offices around the country for weekly television pro-grammes live from Liberty Plaza, its Wall Street headquarters. A retired industrialist in San Die-

go, for example, can put his questions directly to Merrill's experts in New York. But its not all business. The programmes are leavened with entertainment such as Alan Alda talking about the making of Mash, the immensely popular TV commedy series. Account executives are finding the show business/stock selection cocktail a great ice break-

"We're helping clients understand they have a once in a lifetime op-portunity," Ms Rudie said.

Wall Street players are jostling on a crowded field. The International Association for Financial Planning, based in Atlanta, has doubled embership to 25,000 since 1983. The Institute of Certified Financial Planners in Denver has 18,000 members, a 15-fold increase since

Their market is an estimated 35m American households that need the help of financial advisers, according to a study by a subsidiary of Ameri-

Prime targets are those "high net worth individuals" too busy making their money to find time to manage it. Consequently, free financial planning from outside consultants is an increasingly popular executive perk, according to Mr Art Karine of brokers R. F. Hutton, Experts at his firm, which offers services costing from \$175 to \$12,000 a year, have played to crowded tax reform seminars in recent weeks.

To those tax payers feeling all at sea over reform, Cunard is offering nowhere cruises" out into the Atlantic - two days from New York and back and three days from Fort

Landerdale, Florida.

Shoe-horned into the shipboard schedules of bridge coaching, sports competitions, floor shows and cock-<sup>L</sup>ail parties are seminars on the Imwint of tax reform. Despite their is ly educational value, a Cunard Whisman doubted that these offhas beconsultations would be tax

# Compaq plans Singapore Dancing to plant to beat trade pact

COMPAQ COMPUTER, the secondlargest US manufacturer of person-al computers, is building a plant in Singapore to circumvent the US-Ja-

The pact, signed in July, set up a price monitoring system designed

It has been heavily criticised by It has been heavily criticised by leading chip-buyers in the US electronics and computer industries. Some have said that they were looking at the possibility of offshore production to avoid the pact's ef-

However, Compaq is thought to be the first leading US chip-buyer which has cited the pact when an-

Compac's Singapore factory, its first outside the US, will assemble components made in Japan and other countries in the Far East into

printed circuit boards. It will employ about 200 people. Compaq has stressed that it will not lead to any lay-offs among its US workforce.

Compaq had been considering locating in Singapore for some time. Mr Rod Canion, Compaq president, said that Singapore offers lower tax rates, as well as lower costs and quicker deliveries of materials.

However, Mr Michael Swavely, Compaq vice president for market-ing, speaking in London, said that the trade part with Japan had both clinched the decision and speeded it

By assembling printed circuit boards in Singapore, Compaq would be able to get round the terms of the pact, Mr Swavely said. Compaq's decision: was designed to overcome some of the problems

He added that the pact contained "nonsensical types of regulations that will drive US companies to for-eign countries in order to get round

Compaq was particularly anxious to avoid the impact of the pact on chips going into its recently launched personal computer using the new 386 microprocessor, which is more powerful than the micropro cessor used in existing pers computers, Mr Swavely said.

adds: Under the terms of the agree ment, the Japanese Governmen has agreed to monitor the export US chip-makers have alleged that Japanese chip manufacturers are flouting the agreement by dumping memory chips into other countries

Talks are due to start between US and Japanese officials this wee in an attempt to resolve this prob-

keep the rest of the group intact. Ferruzzi, Italy's third-largest

company, is already Europe's larg-

est sugar producer. It largely con-trols the Italian sugar industry and is a dominant force in the French

Berisford bought British Sugar in 1982. Since then the group's for-tunes have declined, and it has

# Ferruzzi close to agreement for 70% stake in British Sugar

BY MIKE SMITH IN LONDON

would give it a 70 per cent stake in

tion's owner, S & W Berisford, the commodity trading and processing group, would be subject to approval Sir Richard Butler, chairman of

of Ferruzzi, said final details were still to be worked out, but he expected agreement in seven to 10 days. Ferruzzi has been battling for control of British Sugar with Tate &

FERRUZZI, the Italian agribusi- much of the year. The Monopolies ness conglomerate, said yesterday and Mergers Commission is considering the merits of both companies acquiring control of Beristord although neither company has made a formal offer, Ferruzzi has built up and Tate & Lyle has 9 per cent. Sir Richard said that the MMC has been kept informed of Ferruzby the Monopolies and Mergers zr's negotiations with Berisford for asked for the MMC to report to him by November 18. Yesterday it was unclear if the Berisford-Ferruzzi

Pre-tax profits in the year to September 1985 were £53m, against £80m a year earlier. ent would mean a delay. For Berisford the attractions of

Tate & Lyle would have a virtual monopoly of UK sugar production if it won control of British Sugar, First confident of winning Alfa. battle, Page 24

# French judicial body opposes. reform of nationality code

selling such a large share in British

Sugar are that it would be able to

BY PAUL BETTS IN PARIS

the key judicial bodies, has struck living with a French wife or hus-another blow against the conserva-band for six months. tive Government's efforts to tighten immigration and nationality procedures in France.

The judicial body has ruled against two key aspects of the Government's proposed reform of the French nationality code. The Government had sought to change the current system whereby anyone born in France with foreign parents automatically had the right to French nationality from the age

Instead, anyone born in France from foreign parents would have to request French nationality and take an oath in front of the French judicial authorities before being granted citizenship. It would no longer be an automatic formality.

change naturalisation procedures refugees in France after the Council making it no longer possible for a of State ruled against this reform.

But the Council of State ruled

against the changes claiming that they were contrary to France's republican tradition. The fudicial body's rulings, al-

though not binding for the Govern-ment, none the less pose an embarrassing dilemma for the Chirac administration. The Government was due to approve its bill to reform the nationality code at a Cabinet meeting on Wednesday. While the Government could still

ecide to go ahead with its proposals. French administrations have traditionally amended or shelved hills to comply with the recommen-dations of the Council of State. Indeed, earlier this year the Government decided to put off for the time being at least legislation to tighten the laws on political asylum and

committed to these reforms which formed part of its election manifesto for the legislative polls last

The Government's immigration policies have been at the centre of growing political controversy although they also enjoy broad popular support, especially after the recent wave of terrorist bombings. Indeed, the extreme left Action

Directe group claimed responsibili-ty for the bombings in Paris late on Friday night of government immigration offices and the offices of a charter aircraft company to protest against the expulsion by the French authorities of 101 nationals from Mali last month without proper immigration papers.

In recent weeks, the Government has cracked down on illegal immi-grants and has expelled since September more than 1,700 illegal immigrants from France, the security

take steps to stimulate its economy even though the German economy

appears to be performing better

than Japan's it remains to be seen

whether the US begins again to

urge Bonn to take steps to boost its

The fact that Japan has cut its

discount rate and moved to imple-ment measures to boost its growth

economic growth.

# Japan welcomes exchange rate pact

had little political impact not least because it is widely dismissed as irrelevant so far as the polls are con-

Continued from Page 1

can voter being influenced by so es-oteric an event as an economic poli-

For Mr Baker the political signif-icance of the agreement may lie more in the impression it creates that the process of international

World Weather

ation is with only one of America's pressure on West Germany also to Economic policy cooperation has been one of the cornerstones of Mr Baker's efforts to fend off protectionist legislation in Congress, a battle which Mr Baker will have to

fight again when Congress recon-Mr Baker is preparing to use the President's State of the Union add-

ress in January or early February to strengthen the Administration's defences against critics of its trade

Accord with Japan, however, is being seen as putting additional

The threat of renewed dollar weakness against the yen, however, would tend to reduce the prospects of faster growth in a Japanese economy heavily dependent on exports

is a clear plus for Mr Baker.

# Senate race in balance

Continued from Page 1 ible Republican gains are in Colorado, Missouri, Louisiana and Cali-fornia. In Louisiana, the Republicans have been caught up in a row about alleged efforts to keep the black vote down through ballot se-curity. In California, where both candidates have spent \$10m each, largely on negative TV advertising, the race is vying for the title of the dirtiest battle of the whole cam-

paign.
Money, mud-slinging, and a lack themes have characterised the 1986 campaign. In many cases, the candlatest TV ads have aroused more attention than any discussion of broader subjects such as national

# near on moves to free **EEC** trade

**Agreement** 

INTERNATIONAL trade minister of the EEC are expected to agree to-

If they can reach agreement, it will help revive the flagging mosingle frontier-free market by 1992, which is already well behind sched

be settled is a deal on common stan dards for direct television broad-casting by satellite (DBS), by adopt-ing the so-called Mac-packet family ing the so-called hast-packet training of standards. Agreement would prevent the next generation of television broadcasting in Europe from being bedevilled by the same fragmentation caused by the rival Pal and Secans systems for colour TV. Agreement is also in sight between the 12 member states on common forms of contract for commercial agents and manufactures

throughout the Community and a single system to streamline the testing of pharmaceutical products. They are also expected to give towards the ultimate goal of a frontier-free Community – replacing all the customs signs at borders with a circle of European stars and the name of the member state ahead. Progress on all these fronts

would at least reduce the backlog in the rolling programme of decision to which the current British presidency of the KEC, the previous Dutch presidency, and the farth-coming Belgian presidency have British officials are increasingly

unxious to get away from the "numbers game" into which the rolling programme appears to have locked them. According to that scale, out of 95 measures requiring action this year, only 21 were agreed in the first six months, and 11 have gone through since Britain took over in July.

They stress that the programma to design by the en

of next June - but that it does not necessarily require final agree-ment, simply that measures should be on the ministers' table for deci-

There are also a number of subjects where the European Commis sion has yet to submit its proposals more than 10 of the 95 – and oth ers where the European Parliamen has failed to deliver its legally required opinion.

The agenda of the Internal Mar-ket Ministers' Council today underlines the complexity of the bargain ing process still required to ease the flow of internal trade between the 12 member states.

Agreement on the Mac-packe family of standards for DBS should be straightforward, although the range of standards has been set wider than would have been ideal in order to accommodate French German and British technologies. Spain still has objections on the

pharmaceutical product registra tion procedure, although no one can quite understand what the problem is. The idea is that pharmaceutical peat all the same tests required of an original product when they seek to market their own version - pro-vided they comply with all patent

The UK has been the country holding up agreement on commer cial agents' contracts, but the Brit ish objections should be met by allowing a four-year transitional peri-od in introducing the new rules. The problems are more difficul

for other items on the agenda, such as agreement on what constitutes "good laboratory practice" for certi-fying tests from different member tes; the safety design required for front roll-over bars on tractors and a deal on a common EEC trade The ministers should be able to

cheer themselves up with an agree ment on the new frontier signs - although that will perhaps be little lation to the British.

# Release of hostage raises hope

Continued from Page 1 Apart from the five foreigners cnown to be held by Islamic Jihad the remainder are in the custody of other militant groups about which

Twenty-four US embassy staff and dependants have been with-drawn from East Beirut in the past week for security reasons. Britain withdrew three diplomats before breaking off diplomatic relations with Syria over a week ago because of alleged Syrian involvement in a plot to blow up an Israeli airliner.

THE LEX COLUMN

# Storm in a beer glass

naxim that if it looks after the pennies, the pounds will look after themselves. In deciding to split the Courage pension fund, it appears to day on a range of key moves re- have shown a characteristic atten-quired to scrap national barriers to tion to detail even in such places as free trade for goods and services be- the small print of the 1986 Finance Act or the somewhat ironical judgover the pension assets of Imperial Foods. Inevitably, Hanson is very well up with modern US practice.

For those without direct experience of IIS management attitudes as on many others - is a study pre-sented to budding actuaries last year by S.M. Southall and J.D. Punter. One of the more popular tools of US managements to divert mon-ey from their pension schemes to their businesses (or shareholders) is the so-called spin-off/termina-tion. The existing scheme is split into two, one covering past leavers and current pensioners and holding most of the surplus assets, and one providing for current employee The active members scheme is maintained, at a lower funding level, but the pensioners' and deferred pensioners fund is wound up and

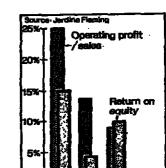
Hanson said last week that it would not voluntarily take funds from the Courage pension fund; but this is where the stuff in the last budget comes in. The Act says that in any pension scheme that is overfunded by 5 per cent, the employer should use the surplus first to improve benefits, then as a substitute contributions and, only if these two still leave an excess, pocket the In the scheme that Hanson has

the surplus freed. Sounds familiar?

kept, option two is obviously a nonbutions while option one could A surplus will still be there. The In-Revenue would probably

pluses belong. But the judge in the ondary market price.

market weighting in a stick emiimperial Foods case ruled firmly NTT could be a case study in how nently undeserving of portfolio that they belonged to Imps, the old not to attract investors. First, the space.



butions and, if the scheme had been in deficit, Imps would have had to stump up. However, equity and genspeak for the opposing case: that part of the surplus should be attributable to active employees who proofing when they hang up their

That Hanson is reopening talks with Courage's new owners is welcome. It is more welcome than suggestions that companies should never he permitted to recover a sur phis. If companies know that they will never have access to contributions that subsequent events have made excessive, they will be that

be able to afford even one share in Nippon Telegraph and Telephone when it comes to the Tokyo market later this month priced at scarcely go beyond inflation-proof-ing the benefits, possibly through like the Italians, considered knock-redeployment in index-linked gilts. ing a few noughts off their curren-Y1.197,000 a share. If the Japanese, cy, NTT shares might look cheaper. But even that would not shift the oblige Hanson to wind up this decimal point in NTT's 100-plus scandalous tax-free reserve, tax the price earnings multiple by one windfall at 40 per cent and still place to the left and so make the leave the company with a tidy sum, shares attractive in Western mar-which could be the better part of kets. Perhaps foreigners are lucky 50m. not to be allowed to apply for this
The actuarial profession has first tranche for it might seem rude never been able to make up its to refuse the offer, Later tranches mind to whom pension find some

produce a yield of 0.4 per cent. For a hest traded for income in most de stock markets - this rating is as-Then as an operator NTT makes

**Lust** 

citing Its monopoly position, which anyway has not been used to best advantage, is now being broken in-to by not one but four Class I rivals, permitted to lay down their own networks, headed by the delightful-ly named Daini-Denden. Very many more will offer services over leased lines. Like BT's competitor Mercufix on the highly profitable parts of high prices charged for longer-distance calls in Japan. NTT must contimue to provide the loss-making rural services, and even the telegram business which BT was allowed to are. NTT is still heavily dependent on slow-growing telephone revenues and has yet to build faster growing busine ses aside from tele one cards which have become like certain rare postage stamps,

As for tariffs, BT's restriction to increases averaging 3 percentage points below the RPI must seem like unparalleled freedom to NTT. proved a 43 per cent increase in cal telephone charges from Y7 to Y10 in 1976 to fill in the huge losses NTT made in 1975. There has been no increase in local call rates since, out a determined reduction in longdistance call charges is likely to While profits are forecast to rise

by only 6 or 7 per cent a year, NTT is now starting to spend heavily on digitalisation of the network, a project which will be completed in the mid-1990s. The hope is that it will be able to sell the technology abroad, and China is an obvious market. There are other benefits of put all spare cash on interest-pay ing deposit, and NTT has plenty of cost-cutting to do. But spart from politeness and the general boost to count-rate cut, the only reason for

DVB

 $\mu_{LL}$ 

Cedi

# Carless, Capel & Charterhall PLC Leonard PLC Issue of New Ordinary shares representing 53.2% of the Acquisition of enlarged share capital to LMS American Holdings Wyncon Limited Corporation a wholly owned subsidiary of Drexel Oil Company and Westmex Limited The Winterbottom Energy Trust PLC Advisers to the Company Advisers to the Company County Limited County Limited Industrial Scotland Clyde Petroleum ple Energy plc Acquisition of Norwich Union (Hydrocarbons) Acquisition of the Company Limited from Texas Gas Exploration (UK.) Norwich Union Life Insurance Corporation Society Advisers to the Company Advisers to the Company County Securities Limited County Limited





# SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday November 3 1986



(\$150m) cash injection, is 80 per

little secret recently of their desire

There has reportedly been no

Veba, West Germany's third big-

to cut their holding in it.

# Australia issue glances back to before Big Bang

IRONICALLY IN Big Bang week in the primary market, where the London market the Eurobond many recent deals have been sold market was casting nostalgic glances at the methods of operating in a bygone, more leisurely financial world, writes Clare Pearson in Australia: "We wanted to bring pri-

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THE SEASON DESCRIPTION OF THE SEASON DESCRIP

A new \$600m floating rate note issue for Australia, priced to yield London interbank bid rate (Libid) flat, was priced and syndicated during a period of about three days in a the balance of the new looked eith-

went like this. First a group of six co-managers discussed the compon ous notice appeared on Renters level and issue price and made exploratory telephone calls to clients a floating rate note with a group of to elicit interest. On Thursday banks. This, according to CSFB, morning the fees were fixed and a separate selling group formed and short-sellers in the dark. the distribution of the paper began.

We wanted to sidestep the dis-ruption of distribution systems that grace in which to sell their commitcharacterises the London market lately," said Mr Hans Joerg Rudloff, allocated only up to \$5m each, could a director of CSFB.

Investors have been hanging But if the issue had gone badly back from buying Eurobonds rethe six co-managers would have cently and the argument runs that been left holding large chunks of they are dismayed by chaotic condi-

Mr Rudloff said of the issue for mary distribution back to the final

But to some other market participants CSFB's bid to bring the old world back into existence to redress. manner that harked back to a long-forgotten way of putiting together deals in the Eurobond market. Credit Suisse First Boston said it

On Thursday morning a mysteriwas intended to leave the potential

The critics pointed out that it also ments before the co-managers, who get in on the act.

lighted to discover that the fees to- attractive to the cautious investor. talled 60 basis points, a far more

The ½ point cut in Japan's disort the higher amount. This will algenerous level than that achieved count rate and hopes of a more low co-managers to calculate more recently issued FRNs.

Demand for bonds priced with coupons around Libid is thin but definitely there for the right name, the D-Mark market which recorded dealers say. This was Australia's the highest gains on Thursday as first venture into the floating rate retail investors began to put in an only, firm allotments should be note market and it was a sizable, appearance for the first time for made before the end of the third liquid offering. The second factor was a marked

ing on Thursday as expectatraded consistently within its fees. a rare achievement for a sub-Libor

priced FRN But trading was "easy come, easy "Co-managers were thankful to take a quick profit and it was noticable that no one was trying to push the price up in order to close the limit during which suc gap between the yield on Austral-ia's bond and that of recent FRNs be left unformalised. for other sovereign borrowers.

Most new dollar fixed rate deals ager indicates a range of underwrit- minimum amount of paper, amoun-

by comparable borrowers who have stable yen/dollar exchange rate exactly the size of their expected proved a tonic to the market towards the end of last week. The news was particularly welcome in

• A number of recommendations rities not allocated at that time improvement in the market at relating to Eurobond and equity should be retained by lead managsyndication were approved by the tions of a Japanese discount rate international Primary Market Ascut spread through the market.

As a result Australia's bond ry organisation for the Eurobond ry organisation for the Eurobond the lead-manager too such leeway primary market, at meetings last during syndication. These recom-

> These include an obligation on lead managers to be more precise when indicating the likely amount of an issue co-managers will be expected to underwrite and a time limit during which such indications, normally expressed as a range, may

been tightened so that co-managers
From now on, when a lead-man-

many recent deals have been sold short in size as soon as they have favour. For one thing, it was genas they tended to be concentrated management group the lower indicated underwriting commitment in the short end of the yield curve, amount of potential commitment on pre-priced transactions. This prevents the lead manager squeezing them by witholding alloshould not be less than 75 per cent. cations of paper they have sold dur-

IPMA has also tackled the thorny In pre-priced offerings of debt. question of late payment of fees. Underwriting fees must be settled within 90 days of closing an issue equity (excluding initial public of-ferings) and equity related instru-ments syndicated among managers and manag ment fees within 30

EUROMARKET TURNOVER 170.9 1,343.8 3.6 445.0 9.8 -9.0 2.8 mendations should shift the baliary Market 22,037.6 1,195.2 16,817.2 5276.2 12,647.5 1,296.1 2,011.4 4,272.7 16,381.7 140.3 3,088.2 5,347.7 12,025.4 143.2 3,678.3 5,634.1 ance back towards the co-managers IPMA has no power to impose its 14,791.9 40,504.8 12,118.1 26,867.1 13,795.1 13,678.1 11,381.2 11,848.8 55,296.5 38,975.2 26,473.2 23,030.0

# **Texas Air to reduce People Express offer**

Veba in talks over

big stake in Hapag

energy group, is negotiating to buy cent owned by the Deutsche and

a sizable stake in Hapag-Lloyd, the Dresdner Banks which have made

chairman of Hapag-Lloyd's supervi-shortage of interest from potential

sory board and a director of the foreign buyers but the banks and Deutsche Bank, said yesterday Ve- the Government are keen to keep

ba was likely to take a stake of less Hapag-Lloyd in German hands than 25 per cent, which would mean Lufthansa has also been mentioned

ready owns a hig transport and trading subsidiary, Stinnes.

Hapeg-Lloyd, which was saved from collapse in 1983 by a DM 300 m

Yeon, west Germany's thirth the gest company after Daimer-Benz and Siemens, made net profitos last year of DM 790m on turnover of DM 48.5bn.

avoiding any problems with Ger- as a potential shareholder.

BY TERRY DODSWORTH IN NEW YORK

nle Express.

BY PETER BRUCE IN BONN

VEBA, the diversified West German

country's leading but troubled ship-

Mr Eckart van Hooven, deputy

many's strict cartel laws. Veba al-

People, once one of the most suc-cessful low-cost airlines spawned The by the deregulation era, have now coincided with the conclusion of a ment. It gave no indication of the lines, the unit of People Express new price it was aiming for but said which filed for bankruptcy protecthat its move had been caused by tion in August, and which is now bethe worsened financial results of ing acquired by Texas Air for People Express.

The talks will also involve seek-

TEXAS AIR, the Houston group ders of People Express' \$150m which is in the process of building Swiss franc convertible debt issue ome of the largest airline businesses in the US, said that it wanted to reduce its \$298m agreed offer for Peotion, Texas Air is seeking changes to People Express' lease on Termi-Negotiations to trim the price for nal C at Newark international air

The reperotiations with People begun, Texas said in a short state- separate deal with Frontier Air-

North American quarterly

# Small Spanish Eurocredit causes flurry over loan pricing

the end of an era. Looked at an pricing was a special case that other it may be another case of a could not be repeated elsewhere. competitive market overreaching itself, writes Peter Montagaon in 1995, is a renegotiation of a previ-

Spain's state Instituto de Credito Oficial caught the limelight last week with a \$50m credit priced at a margin of 15 basis points over the London interbank bid rate (Libid). This is believed to be the first pu-

blicised Eurocredit to drop the traditional London interbank borrowing rate (Libor) benchmark in favour of the lower Libid rate, ish state risk has become a rare Though it is a small transaction it commodity in the Eurocradit marhas immediately become the focus ket but also that Citicorp is left with of discussion because of its poten- a small transaction on its hands tial implications for the pricing of which it believes should be marketloans generally.

able even at this very fine price, es-Citicorp, which is arranging the pecially since ICO is offering tax re-

The loan, which matures in June ous facility which currently carries Either way Citicorp of the US and a margin of % per cent and which started out at \$180m.

Like other Spanish state sector borrowers ICO has been steadily repaying its foreign debt this year. A further \$65m of this loan is being repaid as part of the transaction, leaving only a balance of \$50m to be

The result is not only that Span-

chance of a tax credit in their home

Other bankers are not so sure. Their worry is twofold. First, they say that such aggressive pricing is bound to encourage other borrowers to try and ratchet down the terms on their deals at a time when margins have already hit barely profitable levels. A case in point is Belgium which is seeking bids for a \$200m credit. Second, despite the evident attraction of Spanish risk, there is some doubt about the appeal of such finely priced paper.

Assuming a standard 12% basis point differential between Libid and Libor the margin on ICO's deal works out at 2% points above the

But what if the differential between the two rates were to widen as a result of an international banking crisis? That could not be excluded during the 8% year life of the loan and it might leave lenders high and dry. Similarly there is always a possibility that Spanish tax laws might change to the detriment of banks seeking to bump up their yield from tax receipts.

Much therefore depends on the participations in the secondary hattan had to find new participamarket. Shocking as the terms may tions worth about \$100m in the mar-seem in conventional Eurocredit ket. By contrast a new \$200m deal terms, they do not yet compete with launched last week for the electric the cost ICO would have to pay in utility Iberduero has met a positive the Eurocommercial paper market, reception. Led by Banco Central, where it could sell paper well below

pay a facility fee of less than 5 basis fee of 5 basis points and a margin of points for back-up credit. Combine this with the apparent limitless demand among banks for top quality is taken. assets, however low the yield, and this deal could stand a chance of

day after the first invitations. Secu-

There has been concern that cur-

rent market practice often allows

a bit," said one IPMA member.

time of issue invitations.

recommendations, although devia-

tions must be announced at the

Early protection provisions have

ers for their own accounts.

Yet experience with private sector Spanish renegotiations has been mixed of late. Many lenders dropped out of the recent \$318m deal for Autopistas del Mare Nostrum, which carried a % per cent margin for eight years, with the reability of lenders to sell out their sult that lead manager Chase Man-Chase Manhattan and Credit Suisse

ceipt certificates. These boost its effor profit as large banks now fund fective yield by offering lenders the themselves well below Libor. Libid and would probably have to First Boston, this certies a facility fee of less than 5 basis fee of 5 basis points and a margin of

All eyes in Spain are now on a planned \$300m loan facility for Renfe, the state railways. Elsewhere it now seems likely that Algeria will have to pay a margin of at least % per cent for its forthcoming \$300m credit, Guinness Mahon announced on Friday that its £100m facility for Hammerson, the UK property company, has been doubled to £200m. Societé Generale of France has launched a \$500m Eurocommercial paper programme which also provides for the issue of medium-term notes. Dealers are Citicorp, Morgan Stanley, Societé Générale itself and Swiss Bank

# IBM, the US computer group, is Europe. The plans follow a decision planning to convert its Amsterdam last year by American Telephone factory into the main distribution and Telegraph to establish a Euro-

Laura Raun in Amsterdam.

IBM plans Europe centralisation centre for all of Europe as part of a pean distribution centre in Rotter-consolidation programme, writes dam and by Nissan of Japan to do the same in Amsterdam.

Amsterdam was chosen because IBM's Amsterdam factory makes of its efficient infrastructure and mostly typewriters as well as print-



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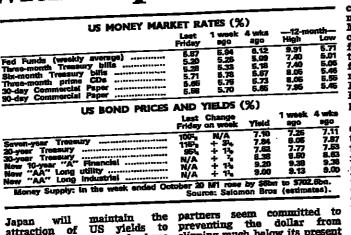
# INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

# Pact with Japan lifts hopes of rate cut

THERE COULD be few more graphic illustrations of the growing link between the US and Japanese economies than events in the US credit markets For some time, Wall Street For some time, has been looking over its has been looking over its shoulder towards Tokyo to see shoulder towards Tokyo to see shoulder towards Tokyo to see how the Japanese would respond to the November Treasury auctions. This week, when the whiff of a rumour that Japan might be thinking of cutting its discount rate was picked up in New York, bond prices rallied immediately — a move that was instified on Friwe that was justified on Friday by the surprise announcement of a new exchange rate agreement between the US and Japan that includes a Japanese

cent to 3 per cent. One element in Wall Street's reaction to the Japanese initia-tive is the feeling that the Federal Reserve Board will now Federal Reserve Board with and have more leeway to make a discount rate cut itself. But over the short term, the most significant factor of the American tector can Japanese agreement to the credit markets is that it should ensure a healthy Japanese participation in this week's auctions, thumping \$29bn from investors.



Japan will maintain the attraction of US yields to Japanese purchasers, who have been showing an enormous appetite for US paper throughout the year largely ensuring out the year, largely ensuring the success of the last two large anctions. At the same time, the new exchange rate pact is designed to take away much of the currency risk facing the Japanese after a year in which investments in the US have suffered heavily from the sharp decline in the dollar. Although no exact targeting for the two currencies has been announced, the two

slipping much below its present

levels.
Once the Treasury auctions are away — the package of new issues will consist of \$100n of new issues will consist or \$1000 of three-year notes, \$9.7500 of 10-year notes, and \$9.2500 of 30-year bonds—the longer-term prospects for a cut in the US discount rate are likely to heaven the forms of market become the focus of market attention.

There is little support as yet on Wall Street for the view that the Fed might be tempted to follow immediately with a

cut of its own, although the meeting of the Federal Open Market Committee this week Market Committee this week clearly provides the opportunity for some strategic decisions on this issue. But some analysts feel that the bank of Japan's move "opens the door to a Fed easing," as Mr Philip Braverman, of Irving Securities,

puts it. Wall Street has a broad consensus on the two factors that are likely to be dominating that are likely to be dominating the Fed's thinking in the next few weeks. The first is the question of the dollar, which has strengthened steadily since around mid-september as the onomic news from Washing-

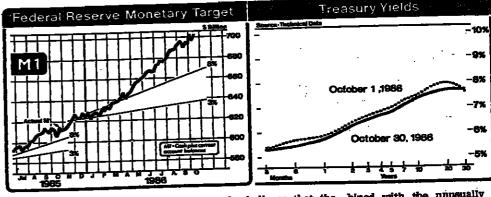
The dollar has moved up by 5 per cent to 8 per cent against the main European and Japan-ese currencies in this period, but the foreign exchange markets have not seemed entirely convinced that the but downward drift has downward drut has been stopped. Dealers argue that the US currency still appears vulnerable to weak US economic statistics, and in the immediate term to a poor showing by the Republicans in this week Republicans in this week's Congressional elections, when a Democratic victory in the Senate would be seen as a

and nigher inflation.

The exposure of the dollar to downward pressure may be one factor against a US discount one ractor against a US distributerate cut in the near future, despite the agreement with Japan. The second question for the Fed is the direction of the economy — and on this point, there is a wide variety of emphasis on Wall Street.

While scarcely anyone is suggesting a really strong economy at present, many analysts are focusing on a set of recent statistics that suggest or recent statistics in the economy from the 2.25 per cent annual rate recorded in the annual rate recurded in the first nine months of this year. On Friday, for example, the index of leading economic indicators showed a 0.4 per cent of the first content of the content of rise in September, reversing the slight decline in August, while the statistics on factory orders

showed a 3.4 per cent jump in



are also showing gains at present, and the trade deficit has now shown two straight months of decline—down to \$12.6bn in September from \$13.3bn in August and \$18bn in July

This constellation of figures greeted by the Administration as a "signal for renewed optimism," has led some Wall Street firms to upgrade their forecasts for fourth-quarter growth, or to stick unequivocally acids bighes formed the state of the state

for example, believes that the gross national product figures for the fourth quarter will show gains of between 3 per cent and On the other side of the coin

is the belief that the current improvement in the rate of economic empansion is only temporary. Mr Sam Kahan, of Klienwort Benson Government Securities, for example, points to the slow down in employ-ment gains—from an average of 250,000 jobs mouths in 1986 to 107,000 in September—com-

bined with the unusually low savings rate and the slowing of income growth, as signs of weakness for the future. For analysis tooking at these figures, it is not so much a question of whether the Fed will cut the discount rate as when. Will it wait until lete when, will st wait thin have December or early next year when the trend should be clearly perceptible, or will it move sometime this month to move sometime this monin to maintain the current momen-

Terry Dodsworth

# **UK GILTS**

# Signs of recovery as sterling improves

WHEN THE GILT MARKET

MAKES A MOVE,

ONE MAN'S headache is another man's profit. The leap in the Reuters share price probably says as much as anything else about the ill-starred entrance of London on to the world stage of international finance.

Hogging the limelight for most of the week were the Stock Exchange's SEAQ automated quotation and TOPIC systems. The constant breakdowns were particularly downs were particularly maddening for equity dealers and it doesn't look like the problems can be sorted out to everybody's satisfaction for

Improvisation and a lot of patience will be needed, even in the less hard-hit gilt market which doesn't rely on the Stock Exchange's systems to trade but uses them as a notice board for nains to be seen prices. It remai thrashed out last Thursday between the Stock Exchange, the Bank of England and gilt market makers will be enough to restore last week's loss of a lot of unanswered questions, faith (and face). If it isn't, even if you ignore those cynics

there is no doubt that the purveyors of green-on-black news screens will be eager to step out of the wings.

All this was turned into a ideshow at the end of last week when Japan cut its discount rate for the fourth time this year and then treated its global audience to an intimate duet with the US with which it has a trade surplus of rather more than an annual \$55bn.

Foreign exchange markets reacted swiftly on Friday to the reacted swiftly on Friday to the joint statement by Mr James Baker, US Treasury Secretary, and Mr Kiichi Miyazawa, Japan's Finance Minister, that the explanate rate realignment the exchange rate realignment achieved between the yen and the dollar since the Plaza Agreement is now broadly consistent with present underlying funda-mentals."

The dollar, already looking very well bid on the narrowing of the US merchandise trade deficit, jumped again. But the bilateral deal leaves

who are suspicious that the whole show had been put on for the benefit of the American voters who go to the polls this

At first sight, the trade-off At first sight, the trade-off seems logical. Japan cut its discount rate and promised action to spur domestic demand while the US pledged it would no longer talk the dollar down. It will be interesting to see how the US administration, let alone the Bundesbank would react if the current dollar rally react if the current dollar rally extended much further. Some chartists are talking about a rise to as much as DM 2.80. Far from encouraging exchange rate stability, trading could be far more volatile, at least over the next few weeks.

where does this leave sterling and gilts? The combination of firmer oil prices in the wake of Sheikh Yamani's dismissal and the stronger dollar have certainly helped the exchange rate so far and given the gilt market a firmer undertone. By the end of last week, re-tail demand has picked up some-

YOUR HEART MISS A BEAT?

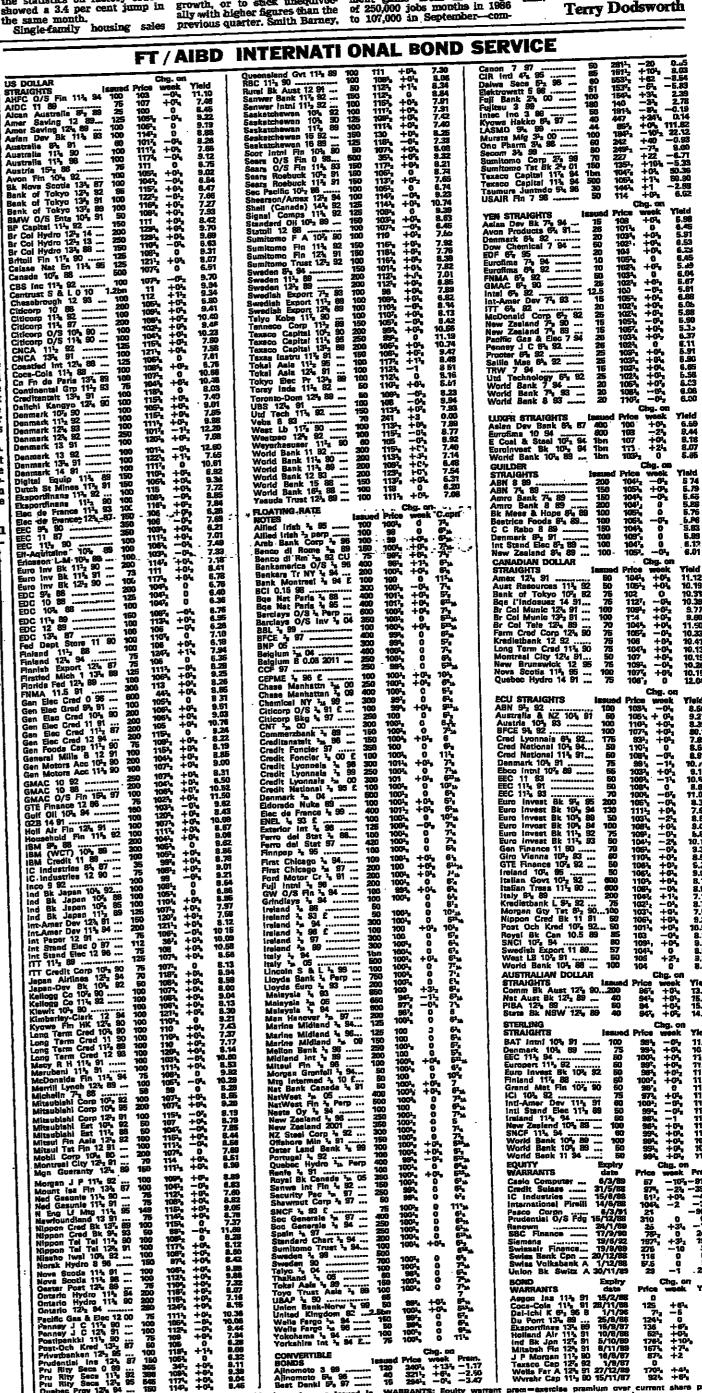
what and market makers were able to shift more of last week's tap stock off their books. There is an interesting historical arallel here, according to the parallel here, according to the Bank of England's record books. The last issue of stock by tender to have been oversubscribed was also the last dual conversion gilt in November, 1985.

The Bank of England's issue of four taplets totalling £400m on Friday seemed to strike the on Friday seemed to strike the right balance in a market which is showing signs of recovery but is still not in the pink of health. Gilt-edged traders said another £1bn issue would have sunk like a stone in current conditions, but there should be no trouble selling these smaller tranches now that sterling is

looking brighter.

The market still has longer-term worries to think about such as inflation, the balance of payments and Mr Nigel Lawson's tax cuts. The Autumn Statement this mouth will be looked at with great interest.

Janet Bush



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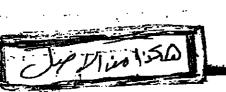


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HANSONTRUST

# Fiat confident of victory Investors disclose in Alfa takeover battle

BY JOHN WYLES IN ROME AND JOHN GRIFFTIHS IN LONDON

THE FIAT group "clarified" its stood to have put a value of about takeover offer for Alfa Romeo at the weekend, confident that by Friday it would have beaten off the ziday it would have beaten off the ri-

val bid by Ford. IRI Finmeccanica, the state holding group which is analysing the competing proposals, has promised to make a judgment in favour of before it moves up to 51 per cent. one or the other by November 7. It now appears, however, that the Government's decision on whether to accept or reject the IRI recom-

mendation will come later. Fiat was not revealing yesterday Auto. any details of the figure it is offer-"It ing to pay for Alfa which was sent to Finneccanica on Saturday. Early last week the state group complained that it could not properly compare the Ford and Fiat propos-als because Fiat's projected global investment in Alfa of up to 18,000bn

Hugo Boss

strong sales By Andrew Fisher in Frankfurt

HUGO BOSS, the West German maker of stylish suits and leisure wear for men, raised its exports by nearly 50 per cent in the first nine months of 1986, with total sales also showing a sharp increase.

achieves

turn of 100 per cent ownership.

Ford's offer is likely to have valued the company at about L1,000hn but the IS company at before it moves up to 51 per cent. Fiat has been "pushed into" mak-

ing its bid for Alfa Romeo by the Italian Government, according to Mr Vittorio Ghidella, managing director and general manager of Flat

"It is the Government who is in-terested in finding a solution for Alfa Romeo. Ford was the latest attempt at this but I don't know why Ford should be interested," said Mr

His remarks, which are to appear investment in Alfa of up to L8,000bn in a report being published this (\$715m) lacked a clear indication of how much was being offered for the gence Unit, seem likely to compliiling car producer.

However, Fiat is widely underpolitical manoeuvrings surrounding

and a doubling of Alfa's produc to its capacity of about 400,000 units a year are believed to have been in-

cluded in the proposals.

Fiat presented its proposals last weekend, which included a \$5bn investment programme in a proposed new company linking Alfa Romeo and Flat's Lancia subsidiary. Mr Cesare Romiti, Fiat group's managing director, said Flat would be prepared to take immediately anything between a 51 per cent stake and full ownership. However, Finmeccanica said this

week it was still unclear on precisely how much Fiat was prepared to pay for control. Mr Ghidella provides no elabora

tion on this point in the course of a pany at about \$5.4bn. lengthy interview with the EIU. The investment of

# stake in Goodyear

BY RODERICK ORAM IN NEW YORK

because of the recent volatility in Goodyear's shares, it said in a filing with the Securities and Exchange Commission in Washington.

It will await a restructuring study

due next week from Goodyear's investment bankers before deciding its course of action, Sir James told Mr Robert Mercer, Goodyear's chairman, in a meeting last week. About 25 per cent of Goodyear's shares changed hands this week on top of 20 per cent in the preceeding fortnight. The share price, which had risen about 25 per cent in the past two weeks, eased \$% to \$48% on heavy volume, valuing the com-

The investment group, which core activity of tyre making.

AN INVESTMENT group led by Sir James Goldsmith and including the US arm of Hanson Trust of the UK Oriental (20 per cent stake), General Occidental (10 per cent), which are both controlled by Sir James, tyre maker.

The army may seek control of other limited partners (30 per cent), and other limited partners (30 per cent). The group may seek control of other limited partners (50 per cent) the company but has decided "not to make a tender offer at this time" was not free to disclose.

> Sir James said he outlined his group's intentions toward the Ohio company over lunch on Thursday with Mr Mercer and other Goodyear officials. The options include: obtaining control; seeking a merger or other business combination; buying more shares in the open market or through a tender offer, and seek-

While Mr Mercer and Sir James agreed on many aspects of Good-year's business, their views "somewhat diverged on the issue of diversification, Sir James said. The investor group suggested that Goodyear should concentrate on its

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Bell Resources 51	296	19 <b>96</b>	19	574	100	SECI	5.250
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**NEW INTERNATIONAL BOND ISSUES** 

I Currency-linked. (a) Coopen in NZS, redemption 28% year, 28% NZS. (b) Extra to Gu Libid. (c) Leanched on US dumm (d) Convertible into FRM last 2 years. (a) With option bonds for percincae of shares. Note: Yields are extendated on AIDS basis,

# Singapore broker ordered into liquidation

BY STEVEN BUTLER IN SINGAPORE

tion by a Singapore court-

Counsel for American Express and Citibank, creditors to City Boss, whose shares vare floated on the German stock market last year, booked a 38 per cent increase in overall sales to DM 337m (\$164m). This, Securities, petitioned for liqui-dation in an evident attempt to

it said, was much faster than the growth shown by the industry as a whole. Exports jumped by 48 per cent to DM 86m, and Boss said foreign awareness of its products was growing. The subsidiary in Paris contributed to the improved performance, and the New York branch, opened in May, was operating on target. The company, run by brothers Jochen and Uwe Holy, gave no indication of profits for the current year, but said the business trend shown in the

first nine months was expected

1985, Boss more than doubled its net profits to DM 22m

to last through the year,

CITY SECURITIES, the insolvent Singapore broking house, has been ordered into liquida-

The liquidation order howrities said a proposal was being drawn up which would better in the way of a proposal from a local partner interested in acquiring City's seat on the Stock Exchange of Singapore (SES) via cash injection.

Any proposal to keep the Counsel for the creditors said company's directors would be that City's liabilities were in excess of \$\$85m (U\$\$39m), although this position has gradually improved. City Securities has been silent about which local company is cursolution by a Singapore court.

Counsel for City Securities broking houses.

Counsel for the creditors said company's directors would be retained. A new broking house excess of \$\$85m (U\$\$39m), although this position has gradually improved. City Securities has been silent about which local company is cursolution by a Singapore court.

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secure greater protection for their rights as an agreement for corporatisation is finalised.

Spanish bank well ahead BY OUR FINANCIAL STAFF BANCO EXTERIOR de Espana, "Spanish banks will be faced the state - controlled export with a serious squeeze on

first nine months of 1986, Mr regulate deposit rates while Miguel Boyer, the chairman, lending rates are declining," said. He said the profit of Pta Mr Boyer said a drop in said. He said the profit of Pta Mr Boyer sate a unop a state of lower cent, on offer by the Knala 5.73bn almost equalled the lending as a result of lower cent, on offer by the Knala Pta 5.97bn made for the whole exports and the peseta's relative Lumpur government.

The deal was timed to cointain the profit of the profit of Malaysia of 1985, but several factors strength against the dollar "could dim the outlook for would have a negative impact

An earlier hearing to wind November 1985, which provoked up the company on October 17 a crisis on the SES that has stockbroking business, assets was adjourned until November now led to the collapse of six and expertise will remain intact 21 when counsel for City Secu- broking houses.

Any proposal to keep the company in being will now have to be approved by the City Securities creditors, regulatory authorities, and the court.

City Securities ran into trouble after the collapse of Pan-Electric Industries in

Brunei buys MAS stake BY OUR FINANCIAL STAFF

rently interested in putting up cate the task of finalising an cash. A director, however, has agreement with a new corporate

and that paper work for the when the SES rejected a bid arrangement is in the final by Sun Hung Kai of Hong Kong stages of completion.

credit bank, has returned a 30 margins if the government holder of a stake of about 5.7 per cent net profit gain for the implements its plan to de System (MAS) afficient System (MAS) after an inter-national share placing last week

confirmed that an agreement has been reached in principle

pact cide with the visit to Malaysia 55 per cent, had no plans for by the Sultan of Brunei, Sir further sales of ariline shares.

THE BRUNEI Investment Muda Hassanal Bolkiah which Agency has emerged as the ended on Friday. Brunei was said to have paid the same price of 4.50 ringgit per share which applied to the rest of the

agreement with a new corporate

partner. An earlier effort to save the company collapsed in July

Mr Daim Zeinuddin, the Malaysian Finance Minister, said his government, with its stake in MAS now reduced to



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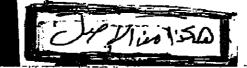
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ese securities have been sold. This announcement oppears as a matter of record only.



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ISSUED BY N M ROTHSCHILD & SONS LIMITED ON BEHALF OF H M GOVERNMENT

Up till last week the maxi- outlets, mainly in the Midlands.

mm amount of money which a company could raise through a placing was \$3nt. From Big Bang day — last Monday — the limit was raised to £5m on the USM and £15m on the main market, so making it easier and cheaper for businesses to raise finance through a

Lloyds has yet to fix the price of its chares, but it seems likely to be raising a little under £5m through a placing of a quarter of its enlarged equity. It will, however, he going for a quotation on the main market rather than the ITSW

LA syds Chemists, a Midlands-baset I chain of retail chemists, is to become the first company to take advantage of the new Stock Exchange rules on placings when it comes to the and has expanded rapidly to the point where it now has 108 the point where it now has 105 Its business ranges from dispensing NHS prescriptions to self-service retailing of tolletnies, beauty products and household goods. It is also increasing its range of own-label goods and das just opened its first drugstore-style shop trading under the Drugstop

Pre-tax profits have risen from £315,000 in 1982 to £1.1m in the year to last June on turnover up from £5.6m to £20.7m. There is no profits forecast for the current year, but Lioyds says the period has started well and it expects significant expansion

Of the near 25m to be reised through the placing, a lattle under £2m will go to Mr Allen Lloyd and his brother Peter, the 32-year-old development director, and the rest will be used to finance the company's

A likely market capitalisation of just under £20m suggests an historic price/earnings mul tiple of 24—about twice the average for the wider market, but roughly in line with the figure for Superdrug and Tip Top Drugstores and far below the multiple of 24 Top Drugstores and far below the multiple of 34 carried by Share Drug.

Pannure Gordon to the issue, said floyds was taking the placing route to the stock market not just to save money but because it preferred to find from institutional hand for its shares rather than have them widely spread in small

# Fletcher King offer this month

Fletcher King will become Lazards, while Cazenove is the second company of com-mercial estate agents to seek a market quotation when it offers shares for sale later this

The finishing touches are being put on the prospectus, Fletcher King said, in its first confirmation of speculation about a quotation. This specula-tion has been rife in property circles ever since Baker Harris Saunders, the City of London

The advisers to the issue are

**BOARD MEETINGS** 

Interims: Associated British Fonds

tles, Tysons (Contractors), W.A.

Scowish National Trust ......

handling the share offer. The two were chosen by Fletcher King at least partly because they have remained inde-pendent of the financial conglomerates set up in the City in anticipation of the Big

Bang.

If current expectations are met, Fletcher King could start its public life with a market capitalisation of around £10m. somewhat smaller than that of

Baker Harris Saunders. Baker Harris Saunders tendered its shares at a minimum

offer price at 170p, giving the company a market capitalisation of £17m. The shares, over subscribed 4.4 times at the out-set, have since traded up to

207p.

Fletcher King has been considering a public issue for about five years. The company, led by Mr David Fletcher, was established 18 years ago and seeks to cover the same sort of ground as the big agents like Jones Lang Wootton and Richerd Ellis, but on a smaller scale.

SHARE STAKES

ed over the stakes amounced past week include: Lyle Shipping-Mr Randolf

CHANGES in company share

is: Bridport-Gundry, UDO. Fields has an interest in 600,000 ordinary (5.99 per **FUTURE DATES** Granyte Surface Coatings -----

cent).

London and Northern Group Director Mr P. Cameron sold 100,000 ordinary at 75p. Mrs D. V. Blackwell, wife of director Mr C. A. R. Blackwell sold 10,000 ordinary at 72p.

ATA Selection—Chairman Mr Nov 11 S. Greenly purchased 100,000 Nov 21 ordinary at 50p.

October 24 director Mr T. R. H. Brunner sold 12,000 ordinary

at 98p.
WPP Group—Discator Mr G.
Sampson disposed of 90,000
shares, aftering his beneficial
holding to 290,258 shares (2.64 per cent). Erith-Director Mrs P. A. Erith acquired 60,000 ordinary

at 25p. She now holds 160,000.
Wooltons Betterware Group
—Chairman Mr R. C. Thornton
purchased 50,000 ordinary at
75p on October 24.

jump in first half Pre-tax profits at A. Cohem &

A. Cohen

profits

Co, the maker of non-ferrous metal ingots, more than doubled in the six months to June 30 1986, moving up from £555,000 last time to £1.24m on turnover

unchanged at £24.2m.
This improvement confirmed
the expectations of Mr Anders
Cohen, the chairman, at the year end and he said that he anticipated a further good trading performance in the second half.

After tax of £517,000 (£416,000) and minority interests of £112,000 (£91,000), earnings nor share worked through ings per share worked through at 32,66p, up substantially from 2,59p in the half year to June

The directors proposed a 3.7p interim (3.3p).

Eastern Produce falls

Pre-tax profits on ordinary activities at Eastern Produce (Holdings) fell from £4.52m to (Austings) fen from 12.52m to 13.67m in the six months to June 30 1986. The interim divi-dend is unchanged at 2.5p Turnover of this holding com-

pany—it has interests in plant-ations, trading and fishing—was lower at £19.16m (£20.21m), and operating profits were lower at £2.36m (£2.87m).

Virgin Group

Virgin Group, the record and airline company which is planning to float its musical operations on the London Stock Enchange, has appointed Sir Philip Harris, chairman of Hamis Queensway, to its board. Sir Philip will be joined by Mr Cob Stenham, European head of Bankers Trust. Both will serve in non-executive serve in non-executive

prospectus for the flotation, which is expected to be by tender later this week. About 25 per cent of the music section's equity will be sold and the value of the company is expected to be between £250m and £280m.

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Clay Harris looks at the revitalisation of Waring & Gillow

# Shaping up to the retail revolution

Gillow, the furniture and carpet retailer, is on the road back to the stock market, and Mr Ashley Meyer has made sure that he stays in the

Mr Meyer, chief executive and managing director, has brought the company back into profit less than 18 months after consortium backed by S&W Berisford, the sugar proce and commodity trader, bought the listed Waring & Gillow group for £24.9m.

The last time Mr Meyer masterminded a retailing turnround, as managing director of Debenhams' furniture division, he found control of the husiness promptly sold out from under him. So when predators began eyeing Berisford, he became determined not to let it happen again. Mr Meyer now has the man-

agement security he was seeking Berisford's sale of its 83 per cent stake on October 21 made possible a private placing with a broad spread of institutions. Gillow no longer has anything to fear from a possible takeover of Berksford.

Giffow now is aiming for a stock market flotation within two years. The \$44.7m placing of 89 per cent of the shares values the company at more than \$49m, double the takeover price in May last year. Mr Meyer is now building on the initial cost-saving achieved by tighter management controls.

Gillow has launched a £7m programme to refurbish all of its UK stores. Wolverhampton, the last Waring & Gillow store in irst new-look store, has central London, in Knightsfirst new-look store, has central London, in Knights-increased sales by two thirds bridge, into a retail showcase in the first 16 weeks. for Lablanc, its design and con-Gillow is broadening its tract side.

will rely on its own expertise— pany achieved pre-tax profits of it is contracting out individual fam, including fl.Am from departments such as fitted property disposals. In the pre-kitchens, lighting and soft vious 18 months, all but five kitchens, lighting and soft furnishings. It will extend the shops-

within-shops formula even further as it develops two fully ledged department stores at Nottingham and Ilford, east Like other retailers, Gillow has cast more than an admiring

dance at the success of Next, the fashion and furniture chain. Mr Meyer aims to apply the lessons by developing Gillow's own chain-wide design image.



a range of furniture, carpets and textiles. As each store receives its facelifit, Waring (part of the name since 1903) What the group lacked most of all, Mr Meyer says, was central control. There were few will disappear from the fascia. Only Maples, with one London store and five in France and controls over stock, no central buying operation and no person-Beigkum, and Wolfe & Hollander, a business furniture shop, will keep their present nel or training systems. names. Maples will carry the new Gillow lines, however, and

to reflect a more conservative Gillow has also converted the Tottenham Court Road.

stores into full-range home In the new management's furnishing outlets. Except for first full financial year, to furniture and carpets—where it September 30 1986, the com-

under the previous manage-ment, losses had reached £7.7m. Turnover of £100m in the latest year was barely changed from the 12-month everage in the previous period despite the closure of seven Waring & Gillow stores and 12 carpet shops located within Texas Homecare DIY stores.

When Mr Meyer took over last year, the company was becalmed at the upper end of been added to the snare Information Service.

European Home Preducts (Section: Drapery & Stores); Heath (Samuel) (Engineering).

Sandell Perkins (European Home Residual) (Engineering).

Sandell Perkins (European Home Robert Gillow, who set up shop in Empand, were caught in a wine signer Robert Gillow, who set up shop in Empande, warp, competitive on neither up shop in Empande. Land),

Winance, Land),

dowdy downgers, barrely touched by the retailing revolution of the preceding two decades.

"It was in tertible state. There was virtually no infra-structure at all in the husiness.

1.27 can a mountain of stock.

1 found stock 10 years old in this building," Mr Meyer says at Gillow's executive office just behind the bedding department in the Maples store in London's

A new stock control system involving weekly monitoring of best selling and most profitable lines, has enabled Gillow to negotiate lower prices from suppliers and to reduce average delivery times from 12 weeks to

The laggards do not last long. "Anything that's on the bottom of the list for 12 weeks is finished." Mr Myers says.

At Gillow's upper end of the volume market, where many rustomers are more con about quality rather than the most competitive price, the new economies have enabled the to improve

schieved outside the UK. Four loss-making Maples stores in France bave joined the Brussels France have joined the Brussels money-spinner in profit. Nine US stores in Florida and the Washington DC area, which had lost a total of £7m since their acquisition in 1980, have also come out of the red.

"We've chopped all the fatuous expenses out of the business," says Mr Meyer. Nearly 400 of the company's 2,100 UK jobs have also gone. For Mr Meyer, like Gillow, the past 18 months have marked an impressive comeback. Now aged 38, he spent 14 years at Debenhams and turned its furniture division round from a ESM loss to a £3m profit within one year. He quit in 1984 when Debenhams sold a 65 per cent stake in the business to Harris Queensway, which bought the rest when Burton Group took over Debenhams last year.

Mr Meyer immediately focused on Waring & Gillow as a bid target: "I knew that the business hadn't been performing for years." His initial attempts failed to raise sufficient finance, but Hambros, the merchant bank, brought him together with Berisford, and this led to the successful bid.

Berisford always viewed its interest, held through venture capital subsidiary Albion Trust, as a short-term investment and never consolidated Waring & Gillow into its accounts.

But predators—first Hills-down Holdings and then Ferruzzi and Tate & Lyle— began to stalk Berisford, and Mr Meyer moved to ensure that the stores group did not fell into unfriendly hands.

Mr Meyer and Gillow's non-executive chairman, Mr Cyril Spencer—himself a casualty of management wars at Burton— initiated the idea of a buy-out. Berisford finally agreed to take 24.1m for its 83 per cent stake, and the private placing last week also raised £18.7m to new capital to fuel Gillow's thive vards an early flotation.

Once that is achieved, the company will be looking for takeover targets.

"I don't want to stand still with a business of £150m turnover," says Mr Meyer. "I want a business of £500m immover."

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3rd November 1986

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. ا	0et. 31,	0ct. 30	0ct. 29	Oct. 26	0ct, 27	Det. 24	19 High	D6 Low	Since Co High	mpliation Low
Government Sets	82,93	82.99	82.34	82.94	82.37	82.53	94.53	80.39	127A	49.18
Fixed interest	88.87	88.83	88,87	88.86	88.76	66.61	97.68	86.55	150.4	50.53
Ordinary	1285.4	1279.1	1267.2	1255.6	1257.8	1251.6	1425.9	1094.3	2425.9	49.4
Gold Mines	277.2	290.6	285.9	याउ	269.6	262.6	357.8	185.7	734.7	43.5
FT-Act All Shave	907.27	800.61	792.72	786.97	787.28	783.44	832.39	664.42	832.39	63.92
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# FINANCIAL TIMES SURVEY

Monday November 3 1986

# Swindon

After brilliantly exploiting its location to attract jobs without the aid of government money, this former railway town is set to change direction to emphasise social policies.

# change of heart

By Anthony Moreton, Regional Affairs Editor

SWINDON has always been the Wiltshire plain town in more senses than one. Blessed with few abiding features, it has had to struggle to match the history and glamour of the attractive neighbours that surround it— Oxford, Cheltenham, Bath and Bristol and such country towns as Cirencester, Marlborough and Chippenham.

and Compreham.

Yet, for all that, it is Swindon
which has recently managed to
prise from Lloyds Bank the
accolade of the fastest growing Swindon's trump card has been the M4 motorway, which skirts the town to the south; the first of the modern railway the West Country; proximity to London and, in perticular, London's Heathrow airport; and a position at the cross-roads of much of the road network of southern England.

It has exploited these man-made facilities brilliantly to attract a large influx of sophis-ticated industries. The one-economy town created in the last century with the establish-ment of the railway workshops has been turned into a modern service-cum-industrial town full of interesting newcomers. Most wear white rather than blue collars and all have injected a strong infusion of spending power into the economy. All this without a permy of

all this without a permy of swindon's tinemployment rate hology—absorb all the qualtgovernment grant money. Swinmoved above 12 per cent, fled people. The unskilled redon has managed to attract slightly less than the national
more new industry than many average. Previously it had
towns that have been able to
throw money at potential intowns.

The town is certainly not sophisticated economy may be
towns.

The town is certainly not sophisticated economy may be
such as Allied Dunbar, Burmah.



town is poised to consolidate the advances of the past 10 to 15 years there is a possibility that much of the good work could be endangered. The council has shifted its stance and now believes it should not necessarily peach new jobs from wants to place more emphasis on social policies.

As recently as 1950 Swindon was very much a one industry was very much a one industry town. At its peak the railway workshops employed more than 17,000 people; today there are 400 and even these will have gone by the middle of next year. Following the last major British Rail closure this spring Swindon's unemployment rate.

place both the unemployed and those coming onto the register for the first time. School-leavers alone account for about down on the 3,500 in 1978. There have, too, been set-backs. Only last month IBM decided not to take up a planned site in the town for the European headquarters of its tele-communications equipment sub-sidiary Rolm. The company option on a further 120; it had recruited 35 to 40 staff and

Companies willing to invest on such a scale are hard to come by and IBM's decision shows how difficult it is to win mobile

head of Swindon Enterprise and the town's soon-to-depart industrial adviser, says the corporate plan originally called for the creation of 3,000 jobs a year, and while that figure had not been achieved every year "the aggregate since 1978 is more than 25,000 jobs in industry and commerce, the only areas we monitor. In the service industries, such as retailing there could be another 5,000." for the imaxilied. The new sophisticated industries—a term he prefers to high-technology— absorb all the qualified people. The unskilled remain difficult to place, though the armenias like



back to the early 1950s. The intention then was to attract heavy manufacturing industry, successfully achieved with the arrival of Pressed Steel Fisher (now part of the Rover group) to provide car bodies for Cowley, Plessey and Vickers. In the 1950s employment rose by some 14,000—most of it in

The 1960s saw great struc-tural change. The run-down of the railways began, and while relatively more important. The 1970s were a period of great structural change, aided by the national infrastruture ments that brought the high-speed rail link and the M4. "Compare that with the Retailing grew rapidly at a national average of one in ten time when it was declining and you will see how successful nationally. Office developments we have been."

pany and W. D. and H. O. Wills: Swindon Enterprises, set up in 1979 as the town's marketing arm, then conceived a strategy which focussed on selling the area to the City of London as an attractive place to invest.

approximately £2 a sq ft dearer than in Bristol," according to Mr Smith. "This is where people want to be." net employment grew by some
9,000 over the decade, manufacturing also began to decline than 30 are in the town, and than 30 are in the town, and Mr Smith says that one in six of the 90,000 working population of Thamesdown (the local council which takes in Swindon) is employed as a re-sult of a dollar investment.

that office rents here are

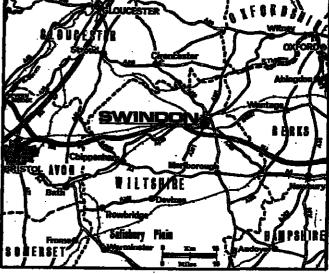
The names range from AMI Microsystems, which was estab-lished in 1972 and has its Euro-

quarters operations in the town.

Now the emphasis is switching towards Japan. The arrival of Honda, which chose a 250-acre site, far larger than it needs for its present operations, was the catalyst. Japan had been rejected by Swindon had been rejected by Swindon Enterprise originally because of the cost of marketing in that country, but with Honda's arrival other Japanese concerns also began to look at the town. Inquiries have been received from the country and it is thought that two concerns are looking closely at the oppor-tunities. Mr Smith believes that

Incomers face a shortage of land, however. The last major greenfield site, to the north

one could make a decision by



The Renault distribution centre, a former FT architecture award winner, has become a symbol for the modern industrial Swindon over the past decade or so.

scheme in Europe. The group is seeking a £500m development consisting of 9,000 houses to-gether with industrial units on a 1,500-acre site, of which 174 acres would be allocated to industrial use. This sector could provide up to 4,000 permanent

Much of Swindon's success has rested on the large land bank built up by the town fathers after the second world war. Any incomer could be vir-tually sure of being able to get land from the council. But the borough has only about 160 acres left, of which 92 are uncommitted.

This does not mean that saturation point has been reached. It may still be cheaper, with land at £160,000 an acre, to redevelop town centre areas with their old properties. It does, however, mean that develop-ment in future will have to come as a result of the private sector providing the land. The Haydon scheme is there-

fore a pointer to the future, especially as the local authority is severely constrained in what it can spend on infrastructure. There is a danger here. If a west of the town, has just been private developer, like Haydon, acquired by the Haydon Development Group for what is roads traditionally provided by claimed to be the largest prities of the local council, it will have CONTENTS

Industry Service Industry Profiles: Square D Peake & Co

Property Skillcentre

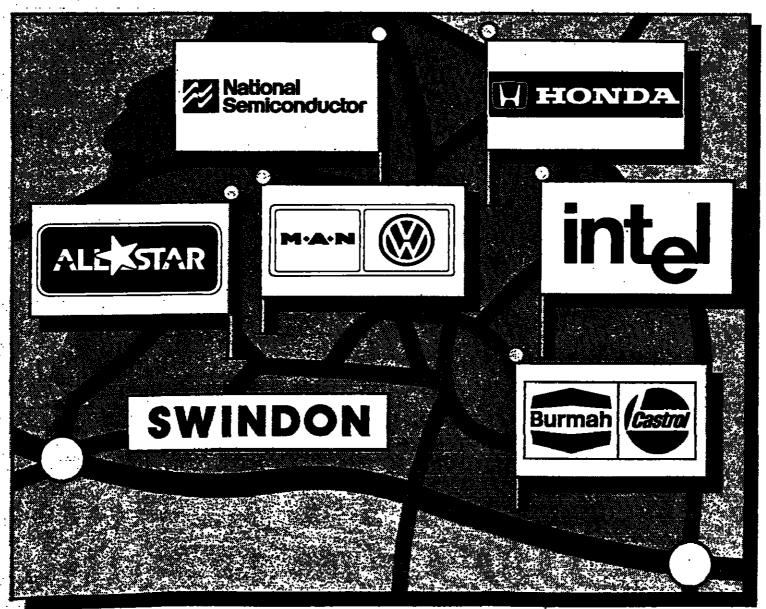
Profiles: Kembrey Group

to work the land to a higher density to produce its required rate of return on capital.

Swindon has some way to go before it can be considered the "complete" town. There is a shortage of hotels, especially at 2-star level, and the town also has an indifferent social and cultural life. It is not well endowed with good restaurants, and retailing has not matched the increase of spending power generated by the whitecollar

business parks and there is an air of commercial hope about the town. Mr Smith says: "I believe, and the banks support the view, that Swindon is a very strong economy. Provided the financial institutions continue to see the prospect of a good return on their investment, the economy and the associated jobs will continue to grow."

# WITH THE WHOLE WORLD TO CHOOSE FROM WHAT MADE THEM CHOOSE SWINDON?



After considering the alternatives, more and more companies have located to Swindon. Since 1980 over 30 major companies have made it their centre of European operations, and it's easy to see why.

Heathrow is just an hour by road, London 55 minutes by train. The workforce is multi-skilled and stable, the quality of life outstanding.

Overheads are around one

fifth of Central London's, so it's hardly surprising that Swindon is established as the Profit Base.

Get the Fact File now. Contact Douglas Smith, Industrial Adviser, Civic Offices, Swindon or call him on Freefone "Swindon Enterprise.

SWINDON - ENTERPRISE

The local enthority has a range of sites available

# Honda keeps future secret

Type of business

Vehicle fleet management and other financial services

oic products for silleon to

swindon is no stranger to the motor industry. The Austin Rover body plant, originally established by Pressed Steel Fisher, is still the biggest industrial employer in the town supplying the assembly lines of the Cowley and Longbridge plants. The question being asked is: "Why buy 324 acres if only 10 is being used for body panel and pre-delivery inspection?"

It is difficult to persuade Honda to give any information and even more difficult to visit the facility, but once inside

Harris Press and Sheer Div

US Companies in Swindon

risher, is still the biggest industrial employer in the town upplying the assembly lines of he Cowley and Longbridge and even more difficult to visit the facility, but once inside the facility, but once inside the facility of activity annual Japanese company Honda, of activity considering that which is playing its cards very close to its chest, about further squads of Japanese managers, development of its South Mars-

1983 1979 1970

1984 1972 1984

1986

interviewing and training.

The results of a joint feasibility study with the Rover group on the building of an engine plant are due to be published soon. So some facts may all the information programs. fill the information vacuum that attracts theories stretching from a full assembly plant to a base for small engine products such as generators, lawn-mowers and outboard marine

What is certain is that the

move by Honda is seen as an automatic endorsement of the Swindon location and a lead for other Japanese. And if a major plant is established, there would be an influx of supplier and service companies.

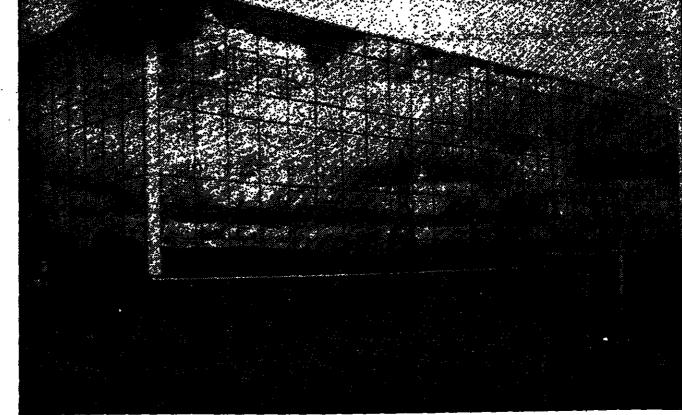
Facing the need to provide many thousands of jobs the council is reviewing its policy on economic development and has appointed a new man in the new post of director of economic and social develop-

Jamie Robertson, who joins Thamesdown from the Mersey-side Enterprise Board, has already had to fight a rearguard action against proposed cuts in expenditure on attracting industry and in the number of people working at Swindon Enterprise.

He has also had to face demands that all reference to information on private health and schooling is removed from the council's promotional litera-ture, and a directive that efforts to attract industry from other parts of the UK will be discouraged.

This is a problem as many companies are still decentralising or looking for a new location to expand. As rents and competition for staff increases close to London, they are looking for the sort of alternative that Swindon offers.

But incoming companies do not always recruit locally. Intergraph, the UK subsidiary of a US computer graphics com pany, moved to the Delta Business Park in Swindon when it could not find space at its Newbury base to combine opera-tions under one roof. But it brought in 150 staff



The £4m-plus headquarters of Intergraph on Swindon's Delta Business Park deigned by Oxford Architects' Partn ership

graphic software packages used in the computer-aided design field from engineering to archi-tecture. It also welcomes a constant stream of people to its modern classrooms for training and its troubleshooter department to iron out any problems that may crop up when the equipment is in use.

It also feels comfortable being a hi-tech environment. Although Plessey Semiconduc-

graph's highly sophisticated ters has been around for a long

The loss of IBM-Rolm and its PABX manufacturing plant to Big Blue's complex at Havant outside Portsmouth was a blow to the town's prestige client board, but is probably part of the same syndrome. Swindon is in the process, therefore, of switching from the old style of engineering to the new style, while at the same board, but is probably part of the same syndrome. PABX manufacturing plant to Big Blue's complex at Havant

PROFILE OF A US COMPANY

The greater benefits of the hi- their suppliers. time, the addition of National Semiconducter and Intel, among others, means that there is a community spirit which often seems important to the American micro-chip fraternity.

The greater henealts that many tend to be large, and therefore are themselves an attraction to the smaller supply companies which cluster round. They are also often in manufacturing. The loss of IBM-Rolm and its rather than just research.

Nor are they all to do with chips. The Roussel Labora-tories and Raychem give the maceuticals and the range of other companies, large and small, plus the quality of job openings for its school-leavers and re-trained existing workforce is a testimony for the resilient future of Swindon.

Stuart Alexander

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The Roussel Laboratories centre, one of the early attractions to Swindon

Service Sector

# Jobs range expanded

SWINDON has been quietly attracting successful in attracting service young peo

W. H. Smith moved its ware-housing and book distribution facilities to Swindon. As the business has grown and more functions have been moved in the number of jobs has grown

It has about 250,000 square feet of warehousing to handle almost 2.5m packages every year. Also, as the retail administration headquarters for the UK has a big computer centre and has brought in more regular aveguings.

Swindon, is at the heart of Smith's nationwide chain of shoos, and handles all buying, marketing and sales as well as the distribution. There have been some small difficulties in

C U Properties

successful in attracting service and financial companies for 20 sophisticated operation out years, increasing the range of Swindon has generally proved to be an attractive place to be an attractive place to work, according to David Roberts, retail group managing

> Allied Dumbar, the financial services group, is a more recent arrival. Three offices in the centre of town employ about 1.850 people and another block has been leased. Both companies have tried to integrate in the local community, Allied Dumbar contributes shout 2 per cent of contributes about 2 per cent of its profits to local improvement. Smith is part of the Enterprise Trust and local hospital scanner

Exfince is proving that the electronic age can accommodate companies needing highspeed financial information which previously would have necessitated a central London location, the

PROFILE OF A NEWCOMER

highly-qualified private sector export finance to run such a company is confident that it can operation but bridge the 80-mile gap from

The Nationwide Building Society has centred its administration at Swindon almost as long as W. H. Smith, and has on-line links to its 600 branches throughout the UK, though it still has a headquarters in London.

Burmeh Oil has had its world headquarters in the tower since 1975, and National Employers Mutual has its national headquarters, and 360 jobs, to Swin-

PHH International moved from Stough and Reading in 1980. It now employs 600 and may soon and another 150 as its principal business of supplying petrol credit cards to subscriber firms expands.

# Potential recognised early ONE OF the first 30 or so US

associated companies to move into Swindon was Square D, which makes electrical switch-

It has been on the Cheney Manor Estate since 1962, starting with a 125,000 sq ft factory, extending in three stages to its present 243,000 sq ft.

Even before the extension of the M4 and the development of high-speed trains, Square D had recognised the potential of Swindon as a good location and source of labour. After two years as a marketing organisation with Plessey manufacturing on its behalf, Square D set about its own manufacturing.

Swindon is the UK manufac-Barnett, a British manager. Field offices across the country service customers, but sales are organised through a network of distributors.

In its 25 years in Swindon, Square D has seen a revolution in design, wholesele changes in manufacturing techniques and great fluctuations in the market.

The most important of these, explains Brandon Barnwell European managing director, have been the shakeout in the Middle East market, though exports still account for 30 per cent of production. Competition from overseas manufacturers dumping products into a wide-open British market, coupled with a downturn in the machine tool industry, has also hit sales.

The Swindon plant continues The Swindon plant continues to be responsible for some of its own research and development but the heavy research budgets are spent in the US directed from the Chicago world headquarters. As the "mother plant" for the company outside the US Swindon was instrumenthe US Swindon was instrumen Stuart Alexander Italy and Ireland and setting



up the plants in Germany and

Jobs, however, have had to be cut. At its peak, using about 300 part-time shift workers, Square D employed about 1,600 people. This was cut to 1,100 and in the last year was cut again to about 750.

The workforce has responded well to the problems according to Mr Barnett. "We hold a happy hour every month when, over a drink, anyone can raise any issue they wish. It works well and the staff here are very



Ken Barnett

co-operative," he says. He is also content with the quality of school-leavers avail-able. Nor has he found any problem in attracting skilled toolmakers, electrical fitters or sheet-metal workers.

The company makes full use of the support available through the training schemes but pre-fers to take responsibility for the specific training it requires. Square D is happy with its Swindon home.

Stuart Alexander

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# Brave move out

IT TOOK just six months for Richard Clark's law firm Peake communications systems. & Company, to decide that it could run its commercial law department in Swindon rather the logistics of everything from

Such a move away from the hub was brave for a firm with only six partners. The satellite office will be run by just two partners, Mr Clark and Jeremy folt, plus an assistant and office

Peake had considered merg-ing with a provincial from but when that did not come to fruition they still saw merit in the satellite operation. With the workload for the commer-cial department still being generated through London the ffice was guaranteed cash flow

One Saturday Richard Clark turned up in Swindon almost on a speculative basis out was wel-comed by the Swindon Enterprise agency and the local estate agency of J. P. Sturge. "Before I knew where I was they were showing me offices "and then we set about looking at all the other factors," he Mr Clark wanted first to know if there would be oppor-tunities to expand the practice

"So we hope we will be able to expand locally. It will also help in recruiting if someone can be assured of a good flow of specialised equality work."

Having to cope with the increased overheads of separate systems and offices — even at one third the rent they were naving in London—means it will

"We are not generally com-peting with local firms as we offer a specialised service," says Mr Clark. "But companies in Swindon have the same needs as anywhere else and the terms of their indemnity insurance will mean that in-house law de-partments have to call in out. partments have to call in out-side firms.

the logistics of everything from telephones to removals, but at

least it is a once-for-all job," he

Direct telephone line, a tele-fax and a train service which gets either partner to London in 50 minutes. And they have the advantage of being able to offer their services to a broadly based.

expanding and separate busi-ness community.

paying in London—means it will takes a little time for the new centre to be profitable, but it as well as being able to service is on target to be in the black

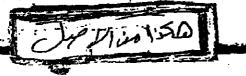


within two years.

The move to living out of London has gone smoothly. His wife saves hours a week on the short school run and though social life is geared more to weekends. Mr Clark says they have been received well by the community.

"You don't have to have been here for 30 years before you're

Stuart Alexander



# Boundaries burst by development boom

WHEN a TOWN is booming (and that is an accolade that Swindon has claimed) one of the most obvious outside signs as great activity on the property development front.

The taxi driver who said that business was good because everyone seemed to have plenty of money and added: "Well, you only have to look at how many near business are business." yen only have to look at how many new houses are being built and how quickly they are snapped up" had more than adequate evidence on his side, as a half-hour tour round the outsiders would confirm.

Turther confirmation has come with the announcement of a consortium scheme, led by Crest Homes, to develop the Haydon site and a planning.

Crest Homes, to develop the Haydon site and a planning application for one of the biggest schemes in the country. Having expanded east and west, the Haydon Development Group would like to see Swindon develop its raythern sector. It has asked for permission to build on a total area of about 680 acres of residential land, and 174 acres of employ-

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of about 680 acres of residential land, and 174 acres of employment lad, devote 6- acres to a district centre, a leisure centre, and retail shopping, leaving a further 355 acres of open space.

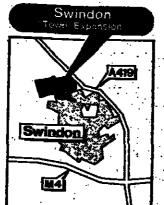
The whole scheme, covering more than 1,250 acres, would cost about £500m, and could mean up to 9,000 new houses being built. It would be almost a new small town in its own right and the proposals are likely to go before the Environment Secretary after a public inquiry.

inquiry. A planning decision is likely to take two or three months. In describing its scheme as possibly the last phase of the planned expansion of Swindon," the consortium emphasises the projected creation of 3,000 jobs from the building programme street and the likely creation of an additional 4,000 indirect

jobs.

It also says that, unless the go-shead is given for further development, there will be housing shortages, as the population is expected to rise from its present 130,000 to over 170,000 in the mid-1990s.

The western side developments have also created a new community, with a vast array of houses differing in styles and



houses are industrial developments, some of them futuristic. The Renault distribution centre has striking yellow tubular support pillars along its length, while the buildings on the Windmill Fift business park, being developed by the Kuwaiti-backed St Martins Investments, have the angular style of a modern science park. In addition there are community amenities like the Carre-

four hypermarket and the council-financed Link Centre, with an ice rink and a library. On the western side are most of the warehouse-type retail outlets offering furniture, carpets and do-it-yourself goods to people who like out-of-town shopping.

There is little opportunity to develop the Brunel Shopping Centre, which is the present heart of Swindon. Built by the ocal council, it offers a variety of shops, many of them approached by covered walk-ways and all linked to both open and multi-storey car parking.

The council recognises that further development physical constraint on such expansion. So there are only plans for a big department store to complement the exist-

ing shops.

That means that there will houses differing in styles and be further pressure to build on Industrial land prices have prices from first time buyers to out-of-town sites (Sainsbury is held up well. A guide price is executive homes. Alongside the building on the eastern side at about £150,000 an acre, though

present) and the appeal of the town centre will therefore be weakened. Council policy on retail patterns is due to be reviewed over the next three months and that too is council. months and that, too, is causing some of the retail chains that would like to move in to

A policy which denies them

Loveday and Loveday reports that while developers in the central area are looking for rents in excess of £9 per sq ft a year exclusive of rates, "the

necessary and it is under some up to £3 per sq ft and older pressure from retailers wanting units up the £2.25. Similar to move in. But it cannot afford to finance further expansion 4,000 and 15,000 sq ft. but there is, in any event, a there has been continuing de-

wide variation in rentals from £4.50 for desirable modern premises down to under £2 for older property.

hesitate.

out-of-town opportunities so as to protect the town centre will merely lead to a string of appeals, as the present retail chain stores seem happy to stay The opening of a Co-opera-

tive superstore in the Old Town, that area of Swindon above the present hub deve-loped around the historic Great loped around the historic Great
Western Railway works, has led
to an interesting architectural
solution to the problem of
blending in with surroundings
which have extra appeal to
some of the older-established
businesses and where the
houses are described by some
as forming "our little Chelsea."
Many firms of estate agents
are now monitoring the scene,
with Sturge, Dreweatts and

with Sturge, Dreweatts and Loveday and Loveday in the lead. They point to expansion of local concerns, rather than ever more coming in as the main cause for office-block lettings and there is also a trend to shorter lettings as tenants keep their occupancy and rent options open.

magic figure of £10 per sq ft has yet to be achieved." The total stock of industrial premises is down but rents

have remained static and one or two of the higher priced, higher specification units have taken some time to let. Modern units of over 15,000 sq ft range mand for places of this size. For smaller units there is a

The Nationwide headquarters (above) and the Brunel Centre, examples of modern development in central

it remains to be seen how the biggest problem and potential

biggest problem and potential opportunity in Swindon fits in to this pattern.
Right in the middle of the town is the old railway works. It occupies about 150 acres, has road and, of course, rail access and at first sight could be thought to be prime. But there are problems. The undercore is ash, not the best bed to build on, and some of the buildings are listed. are listed.

The council has already shown what can be done with the older-style architecture seen in the neat rows of houses between the shopping centre and the works. They have been cleaned up and are most attractive, but the job of doing the same to the works is

much more daumting.

Thoughts of "doing a Covent Garden" are accompanied by fears of the astronomical "unds needed to refurbish the old buildings. Moreover, railway lines we not not accompanied by the control of the lines are not as attractive as the water which contributes the at-mosphere so agreeably em-ployed in schemes like the refurbishment of Bristol Docks and many other places where decline has been reversed. Swindon will need all its skills to engineer a solution that will turn the site into the right product. It is undoubtedly in the right place.

Stuart Alexander



# Joint ventures pull in cash

from March next year all the guarantees end and it must try to break even. There will still be many government-funded retnaining schemes, but it must ensure that it has the right mix established to help create small of courses, and can attract businesses, perhaps by workers made redundant. to pay its way.

Mr Ron Saunders, who runs the centre, sees joint ventures and co-operation with other vocational and educational centres as the way forward. The cantre's traditional provi-sion of courses in brickleying and carpentry continue to be very successful. Given the high level of activity on building sites all round the town, it is not surprising that people can be placed in jobs almost before they deeme courses

they leave courses.
The Skilicentre is built on the border of Thamesdown and attracts trainees from throughout Wiltshire and parts of Berkshire. Attempts to link with other training establish-ments in the town have falled, but Mr Saunders, still believes that they should complement

"There is going to be a grow- Nobody turned up for one on ing requirement for skilled microelectronics, which led to people to have a certificate con- enough publicity to attract a

for their training on a contract basis, perhaps where manufac-turers need to ensure that customers can use equipment properly. One example is a venture with a local company, Magnafiux, one of only three major companies in the UK making non-destructive testing equipment

They are offering a course for testers of equipment such as contacts from Egypt and the Middle East, where Magnatiux has export contracts.

The centre sent an instructor to be trained by both Magnaflux and one of its major customers, Rolls-Royce Aero Engines. So now it can take on the training school job run by Magnaffux and can offer Rolls-Royce competence certificates.

THE Swindon Skillcentre has can be retained to certification largely been government-funded that they can meet Lloyd's of since it was set up in 1978. But London specifications, often an important prerequisite when

tendering for contracts.
At the other end of the scale the centre works closely with the Swindon Enterprise Trust, established to help create small

Only a dozen applications for Only a dozen applications for retraining followed the latest wind-down of the British Rail works, all of whom now have jobs. This may have been because as many as two-thirds of the 1,800 workers made redundant were over 50 years old and all the apprendices were offered jobs within British Rail.

The centre also has a restart programme for those unemployed for more than a year.

programme for those unem-ployed for more than a year-This involves a week's counsel-ling, and includes advice on interview techniques, and pro-viding background information. About 14 people a week are in-volved, and they can come for once a-week visits after that for

up to six weeks.

Mr Saunders is unhappy, however, that more people are not coming forward for training in that they should complement cach other rather than duplicate courses.

He has been successful in establishing joint venture courses with industry and is particularly keen to expand this role as the need for skill certification increases.

"There is only in the a grown."

"There is only in the a grown."

Nother than duplicate the traditional area of engineering. "Lots of companies are screaming for traditional engineering skills," he says. He quotes a recent example of a local firm offering a skilled grinder £400 a week. There were no takers.

people to have a certificate confirming training to agreed levels of practical skills," he says.

There is also a need for a second course, but only four industry to turn to Skillcentres people applied. Hence the

centre's support for a marketing In another joint venture the centre will be providing the facilities for a scheme entitled Weldlink and run by the Cran-field Institute of Technology.

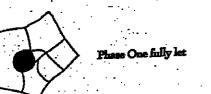
Formerly a centre of military scientific research and skill training at nearby Shrivenham, the Cranfield Institute has opened its doors to a far wider intake and is also aiming to be commercially viable.

The welding facilities and training at the Skillcentre will be incorporated into the Cranfield courses but these are only small beginnings for what Mr Saunders hopes will be a much broader programme of co-opera-

Stuart Alexander

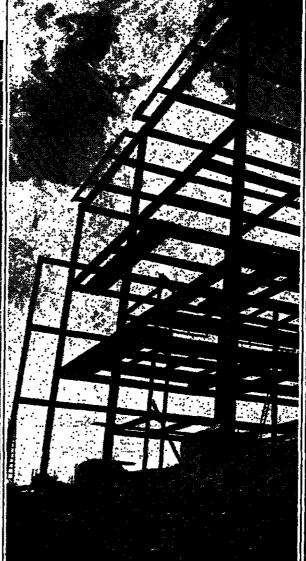
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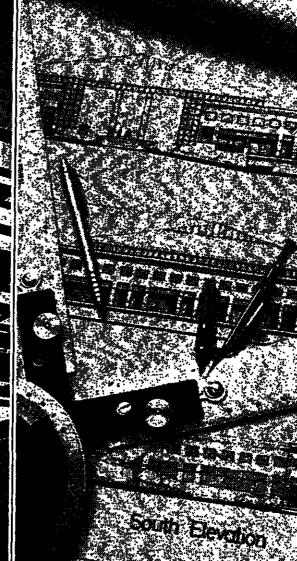


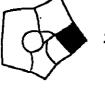














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Swindon A development by St Martins Property Group. PROFILE: KEMBREY ENGINEERING

# Re-emergent engineers pleased to be ordinary

of Dixons and Ladbrokes. They had no problem raising the capital to fund the leveraged buy-out of the group and both are impressed at the way Schroder Venture Capital, holders of 34 per cent of the equity, continue to contribute aftercare rather than interference.

the feeder companies," Mr
Burns says.

When setting up they said it was easier to present a case for revamping an established company rather than creating something exotic and speculative.

They also hope to use the four company group which employ about 320 people, as a vehicle for expansion. But be-

aftercare rather/than interference.

They have set their alghts on being a mid-tech manufacturer supplying companies at the frontiers of technology.

"We are pleased to be ordinary. We are a re-emergent engineering company feeding the hitech industries and moone should forget that they rely on the feeder companies," Mr Burns says.

Success."

The contrast of activities in the deceptively large machine to out-of-town developments in Swindon, highlights the complexity of the task. Alongside the rows of machine toomphilisms of machine toomphilisms of machine toomphilisms of the latest electrical harnesses for use in jet engines and

MR BOB BURNS has his teeth firmly stuck into revitalising the small engineering group he and his partners took over on the Kembrey Park estate.

An engineer firom Birmingham, he has been joined by Michael Cleary, an accountant who had been finance director of Dixons and Ladbrokes. They had no problem raising the

resey satelite.

"We are turning round a business which is inherently profitable, but in practice was only marginally so. We have had to make some people redundant and, through a misunderstanding, that was received more unitable in the town than it should have been. But hard work and courage, rather than genius, will be the secret of success."

The contrast of activities in the deceptively large machine shop, one of the oldest of the out-of-town developments in Swindon, highlights the complexity of the task. Alongside the rows of machine tools, churning out precision parts from raw metal, are ranks of templated tables for assembly

There are problems at home too. Kembrey is constantly searching for skilled craftsmen, particularly machine setters. Nationwide advertising has produced only two, and one is fikely to return home to his family. The five apprenticeships a year will not be enough to cope with an ageing workforce.

Stuart Alexander



Bob Burns (left) and Michael Cleary, with a Coffman starter, used for engines in harsh conditions

Hotels

# More room at the Inn

WHEN THE Holiday Inn opens its doors in 1988, probably in the spring, Swindon will be well provided with three and four-star hotels. But it will still lack two-star hotels offering a more economical service. It is exceptionally difficult to obtain a three or four-star hotel room in the town in midweek, when they are filled with busi-ness travellers, and hard to sell them on the weekend, in spite

them on the weekend, in spite of discounting.

Marketing campaigns may go down well in London or resorts such as Stratford on Avon or Harrogate, but life for the hotel marketing manager in places like Swindon is more difficult over the weekend.

The Holiday Inn will bring Swindon's tally to half-a-dozen good hotels. The Crest has recently been refurbished at a cost of about film and now has the almost essential leisure facilities that tired business bodies and minds are expected to benefit from. Trusthouse Forte's Post House also has a gym and swimming pool, along-side the restaurant were high-calorie meals make attendance on the bicycles and in the pool almost mandatory.

Binnsden House, although not the town

Biunsden House, eithough not in the town centre, is the top-rated hotel and the only four-star until Holiday Inn opens. The complement is made up of the Goddard, now owned by Grand Metropolitan and the Wiltshire, which belongs to Chrysalis Records.

Chryselis Records.
At the next level down there is no dearth of interest but little commitment. Half-a-dozen groups are understood to be taiking to the council about planning permission for the construction of two-star hotels which would provide from 60 bedrooms to about 100.

These groups all want to be

These groups all want to be near the M4 on greenfield sites. It is too expensive to refurbish an existing building at the level

of service these provide.

The council has set up a project group to consider the applications but there is a feel-

too late but has done too little over the past few years.

The big influx of companies into Swindon has put enormous pressure on facilities and the local authority seems to have been far more concerned with attracting new jobs than with providing the facilities that go with them.

with them.
One or two concerns have even been toying with building their own residential training

and conference facilities to get over the problem. This would mean their going outside the borough, since the supply of available land is limited. Some have already put their staff into hotels well outside the town. Given the good facilities in Bristol, Bath, Cheltenham and Oxford, all within 36 to 40 minutes drive—Swindon could lose a valuable source of income and employment unless it takes a more positive attitude to-

wards hotels On the positive side, the town has built excellent leisure facilities, with the flom LinkCentre and its ice rink comparable with any in the country. But there is still a great need for a conference centre that the sort of companies now in Swin-don demand. The largest con-ference "centre," in one of the hotels, can accommodate only

150 people.

The faith of companies which want to build at the lower end of the scale is almost matched by one at the very top end. Isis, a Midlands plant-hire and construction group that went into hotels with the up-market Ettington Park pear Stratford-making wants to report the

on-Avon, wants to repeat the operation in Swindon.

The group found what it considered the ideal location, a country house in the village of Stanton Fitwarren. But it felt total of Fitwarren. But it felt foul of objections from villagers and the council turned down Isis's application. Isis is appealing against the decision and a decision is expected early next

**Anthony Moreton** 

# TheFoods ofthe

Over the past five years St. Ivel has launched a number of low fat and additive free products designed to meet the changing tastes of today's increasingly health conscious public. St. Ivel Gold, Shape and Real, are now household names.



ST. IVEL LTD., SWINDON, WILTS.

# PROFILE: LOU MACARI Local hero wins on points

THE MAN who has assumed the mantle of local hero in Swindon has only been in the town just over two years. Lou Macari, a tectotal Scot with an American wife, is carely to be found anywhere other than in an out-of-centre site on the

ring road.

When he arrived to manage Swindon Town Football Club it was languishing in the Fourth Division, had sold its heritage in the form of players to any-one who would take them and its ground in the form of a big loan from the local authority. In two years Macari, who had spent 11 years at Manchester United, has reshuffled his meagre resources in such a way that his team is more disciplined. and can achieve some good results on the pitch.

The town council, instead of consigning what somethought a white elephant to a peaceful death, have given the club a new lease of life—or, at least, they have lifted the pressure for debt repayment — while a revita-lised board of directors has to some extent abandoned its cautious ways and allowed the playing management some freedom. Macari is far more concerned

about points in the league table than day-to-day cash flow, but he knows what a successful foot-ball team can have a beneficial effect on the whole town. It makes a big difference that the town's name is conveyed to millions on television and in the sewspapers every week in the

When the team is also doing well it appears in the top-of-the-table extracts. It is more likely to be used in the match reports and generally becomes more widely talked about. Internally, that public relations bonus was at least as important to Macari last season as it was for Swindon Town in soneral.

was for Swindon Town in general.

For last season, after a far from propitious start, Swindon Town romped away with the fourth division championship, notcheng up 102 points, a record in the era of a three-point win. It promptly made Macari a rather hotter property in the hurly-burly of the football management game.

He is still the subject of many approaches and many believe it is only a matter of time before he is hared away to a more glamorous and richer club. Meanwhile he has brought back a sense of pride which

back a sense of pride which spreads far beyond the terraces of the county ground.

Even where there is plenty of employment it is recognised that the local football team can improve the mood and en-



FC's manager.

thusiasm of the Swindon work-force when it is winning. Macari also sees that those who have lost their jobs may in turn have been given heart by his "People look for some sort of distraction from the hard-

ship of not having a job," he says. "In the last 12 to 18 months the club has been a help to those who do not have Nor has an increase in the number of unemployed hit Swindon at the turnstiles. That combination of success on the pitch and a need to share in

the winning has persuaded many to follow the team more closely at home and away. They have been coming in at the rate of 6,000 a game on average and the Milk Cup tie against Southampton brought in 9,000. That home 16'ld away the alone boosted club income by about £17,500, an apparently insignificant sum in Macari's insignificant sum in Macari's former world of Manchester United but a valuable bonds for a club like Swindon.

If there are no disasters the club will show a profit this year but Macari is walking a tightrope as he coaxes his 17 players through a long season. A crop of badly-timed injuries would see him having to pull on a jersey himself more times than he would like at 37.

Even progress can be a hazard as what is essentially a squed of players with the talent to win the Fourth Division is stretched by the third and would be unequal to the

Second.

Macari is pleased with the support he has received at Swindon but remembers that, after the shock of being rele-

after the shock of being relegated at all, Manchester United was full of cheering fans every week as they swept all before them in the Second Division. Success and commercial profit went hand-in-hand.

Not that his players are likely to give him the luxury of confidence as he suffers the heart-in-the-month leaps that seem to be the football manager's lob. "Happiness for a football manager." he says. "is a comfortable second half." Happiness for Swindon fans will be to see Macari still comfortably in place in the second half of the season.

Stuart Alexander

Financial Times Monday November 3 1986 **LONDON RECENT ISSUES AUTHORISED UNIT TRUSTS** EQUITIES Although Uniff: Treet. Millights., (a) Price 6 and 1. Gympic Way, Westking, HAS ONE 50 Price 6 and 1. Gympic Way, Westking, HA Sentine Franks Magazant Lfai
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COSTAIN CIVIL ENGINEER-ING, part of Costain Group, has been awarded a £13m contract by the Property Services Agency to construct the Weston Mill lake jetty at HM Naval Base, Devonport. The contract is expected to last 26 months. A 485-metre-long wharf will be constructed, consisting of 25 reinforced concrete caissons supporting three reinforced concrete subways and the overlying deck. Each caisson is around 20 metres long, 13 metres wide and 13.5 metres high, and weighs about 2,000 tonnes. Sea - dredged material will be deposited at the rear of the new wharfage, to material with be deposited at the rear of the new wharfage, to reclaim various areas. An approach structure comprising four more caissons, together mith an economic causause. with an access causeway from the land, will also be built. Ancillary structures and associated infrastructure include an amenities building, substation and plant room in three adjacent buildings, to be built on rain. amenities building, and plant room in three adjacent buildings, to be built on reinforced concrete raft foundations, plus all roads, deck furniture, and a sludge disposal facility for the wharf. The contract also calls for the fabrication and installation of two rail-guided, installation of two rail-guided, traveling dockside cranes.

\*\*CONSTRUCTION\*\*

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(MIDLANDS), part of the Clarke the centre will have retain (MIDLANDS), part of the Clarke Group, has won a contract from St Modwen Properties to build a 48,500 sq ft storage and dis-tribution warehouse in a £1.8m-plus British Telecom develop-ment in Kansas Avenue, Salford, Manchastar The huilding conplus British Telecom development in Kansas Avenue, Salford, Manchester. The building contract includes an integral office section, loading areas with dock levellers and shelters, all mechanical and electrical services, and 75,000 sq ft of external hardstanding. The project is scheduled for completion in spring 1987.

mechanical and electrical services to provide a fully airconditioned building. This will be undertaken by subcontractor Mathew Hall. Other special areas of work include suspended ceiling and flooring systems throughout most of the structure, the project is scheduled for completion in spring 1987.

# CONSTRUCTION

# Possible overload forecast

CONTRACTORS are salivating over the prospect of £2.6bn worth of extra work in the next five years. That would be equivalent to 20 per cent of the expensive to industry is size which was postponed or to-average growth by the build-sance which was postponed or to-average growth by the build-sance which was postponed or to-average growth by the build-sance which was postponed or to-average growth by the build-sance which was postponed or to-average growth by the build-sance to ancelled could have a significant effect on reducing the prescript of the Channel tunnel after the sentity of the Channel tunnel after the sentity of the Channel tunnel after the se

region.
Projects in the pipeline include the new Dartford bridge across the Thames, redevelop-ment of London Docklands, exment of London Docklands, ex-pansion of Stansted Airport, and the wave of office building in the City of London. Research by quantity sur-veyors Gardiner and Theobald estimates a combined turnover of £2bn a year if all these schemes are completed in the

# Advice centre and library

at Hounslow

a multi-storey car park and a library and advice centre. A major element of the work involves. provision of all mechanical and electrical services to provide a fully six-

The impact on the south-east of so much development would be dramatic, the surveyors say. Contractors bidding for price-sensitive business would face shortages of management, labour and materials.

"There is bound to be over-heating in the region and pressure on prices to move ahead of costs," the surveyors report.

The future is made even more uncertain because 86 per cent of the £2bn annual forecast is concentrated into only 13 schemes:

schemes:

In the City, four projects account for 42 per cent of planned developments, worth a planned developments, worth a total of about £1.5bn.

• In Docklands, six schemes make up almost 90 per cent of a projected total of £5.2bn.



An architect's impression of Western Dock 2, a £14.3m

mainly on last year's timetable. TODAY
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Disagreements among estate agents about how much office space the City will need after the Big Bang add a few more question marks. And the industry is still holding its breath for outside tenants to materialise for the 12.5m sq ft Canary Wharf scheme in Docklands. "London and the south-east

are poised on a see-saw."
Gardiner & Theobald says. It is
not making any bets whether
contractors will be up in the air
in the next five years, or down



housing development in London's dockland being undertaken for Regalian Properties by JOHN MOWLEM & CO. The for Regalian Properties by JOHN MOWLEM & CO. The scheme will provide 313 homes in four crescent-shaped blocks, each around a courtyard, with a mix of flats and traditional mews houses rising from three to eight storey. The upper storeys of the eight-storey sections will have glazed facades and the whole development will have views across the Thames and Tower Bridge. Piled foundations are being driven through the old Western Dock, which was backfilled in 1960 to the London clay beneath. The four blocks are of concrete-framed construction and will be built using metal shuttering known as the tunnel form system. Work is scheduled for completion in autumn 1988.

# FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last wear's timetable

Indexistant America Intelligence Colores Intelligence Intell

Trysons (Contractors)
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Company November
COMPANY METINGS

THURSDAY NOVEMBER 6
COMPANY MEETINGS
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Leeds. 10.00
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BOARD MEETINGS.
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tewart Wrightson 4-29
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COMPANY MEETINGS—15
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antows, 164-170, Queens Road, Sheffield, antors, 154-170, Queens Road, Sheffield, 12-30 Gold Fields, Hotel Inter-Continental, 18 Hamilton Fisca, W. 11-30 (washe, 25-35 Ctv Road, EC, 10-00 BOARD MEXTINGS—

# Trade fairs and exhibitions: UK

November 4-6
London Heating and Ventilating
Show (01-680 7525) Olympia
November 9-13
International Woodworking
Industries Exhibition — WOOD-MEX (01-486 1951)
NEC, Birmingham
November 11-14 November 11-14
New Technology Exhibition—
BARCLAYS TECHMART (021780 4171) NEC, Birmingham
November 11-14
Compec Exhibition (01-661 4900)
Olympia

Refisington February
November 25-28
International Pharmaceutical Cosmetics, Toiletry and Allied Indsutries Exhibition—INTERPHEX (01-891 5051)
Met Exhibition Hall, Brighton
November 25-27

**DIARY DATES** 

Antiques Fair (01-883 7061) Alexandra Palace Nevember 18-22 November 18-22 Communications in Business Exhibition (to 21st); Engineer-

ing for Oil Exhibition; Scottish (Design and Production)

ing for Oil Exhibition; Scottish
(Design and Production) Engineering Exhibition; (031-225 5486)
Scottish Exhibition and
Conference Centre, Glasgow
November 18-20
London Building and Construction Show (0474 874089)
Kensington Exhibition Centre
November 25-28
International Pharmaceutical
Cosmetics, Tolletry and Allied
Indestries Exhibition—ENTERDHEK (01-891 5051)

Met Exhibition

November 25-27

People and Technological Change

—Investing in Europe's Future

Exhibition (01-727 1929)

Queen Elizabeth II

Conference Centre

# Overseas

November 4-12 Inventions National II (01-439 0501) November 4-7
European Technology Exhibition
—TECHEX (01-584 5749) Milan
November 6-9
Hong Kong Trade Fair—INDUSTRY (0206 45121) Hong Kong
November 9-13

Brusselsg
International Hotel and Catering
Trade Fair—HIGATEC (01-493
3893) Dusseldorf
November 25-27
Offshore Industries Exhibition
and Conference (01-437 2175)
Amsterdam ArabBuild 86 (Bahrain 250033) November 18-22 The Saudi-British Trade Fair (01-642 7688)

Nov 20-22 NIEX International Brusseis Travel Seoul Fair (021-705 6707) 250033) Amsterdam
250033) Nevember 27-December 2
International Agricultureal Equipment Services and Technology Exhibition (01-891 5061)

November 17-18
Hawkedou Partnership: Tanker
'86 International Conference—
Tomorrow's tankers today (0608
84252) Heathrew Penta

November 19-20
Banking Law Institute: ADRs and other routes to US capital markes (01-937 7211)
London Tafa Hotei

December 3-4
British Venture Capital AssociationFT: Venture capital financial
forum (01-621 1355)
Hotel Inter-Continental, W1

December 9-11 FT Conferences: The twelfth world banking conference (01-

熱い。

December 3-4

# **Business and Management Conferences**

BIS Applied Systems: Communicating with OSI (01-833 0866)

Kensington Palace Hotel
Nevember 9-11 Confederation of British Indus-try: National Conference 1986 (01-379 7400) Bournemouth International Conference Centre
November 10-11

FT Conferences: World Tele-communications (01-621 1355) Hotel Inter-Continental WI November 10-11 FT Conferences: European Business Forum—Italy and the international economy (01-621 1355) Rome

November 11
The Royal Institute of International Affairs: Malaysis as a commercial partner (01-930 2233)
Chatham House, SWI
November 12-13
Tennessee Associates: Managing

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

orklyde
DIVIDEND & INTEREST PAYMENTS—
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Wilker (James) 3p
Wills Group 2.5p
FRIDAY NOVEMBER 7
CONPANY MEETINGS—
Ragian Property Trust. Cam Royal, Regent
Street, W, 12.00
BOARD MEETINGS—
Finals

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**Telecommunications** 1st December, 1986 on 01-248 8000 ext 4611 FINANCIAL TIMES Europe's Business Newspape

November 13 Longman Seminars: Tax plan-ning on marriage breakdown (01-242 4111) Barbican FT Conferences: The City after the Financial Services Act (01-621 1355) 621 1355)

Hotel Inter-Continental, W1

November 5-6
Club de Bruxelles: The future of Larde, finance and infractive in Europe (Brusels 771 9890)

Brussels
Sels 771 9890)

Residuation (01-22-2111)

Western Australia Government: Future of trade, finance and investment in the Pacific Basin—PACRIM '86 (01-240 2881)

Perth, W. Australia IBC: Third annual advertising

and marketing financial services conference (01-236 4080) Royal Lancaster Hotel, W2 November 6-7

Tennessee Associates: Managums for productivity through quality — the right way to manage (68833 6806) Churchill Hotel, W1

621 1355) Hotel Inter-Continental, W1 Detember 11-12
FT Conferences: World pulp and
paper conference (01-621 1355)
Hotel Inter-Continental, W1

# **Financial Times** Conferences

European Business Forum — Italy and the International Economy

Rome - November 10 and 11, 1986 Possibly the most distinguished panel of speakers the FT has ever assembled comes together in Rome on November 10 and 11 to participate in this important forum. Italy, European political, economic and business questions and issues affecting Europe and the United States form the agenda. Mr Walter Mondale, Dr Giovanni Agnelli, Ing Carlo de Benedetti, Mr C. J. van der Klugt, Professor Dr Ralf Dahrendorf and Dottoressa Marisa Bellisario are among the contributors. The Rt Hon Denis Realey, MP, and Dr Guido Carli will chair this topical two-day meeting which is co-sponsored by L'Espresso and La Repubblica.

# **World Telecommunications**

London - December 1 and 2, 1986

London — December 1 and 2, 1986

The confusing challenges and uncertainties facing the telecommunications industry and the changing conditions in international markets will be among the key issues to be debated at the Financial Times annual World Telecommunications conference.

In the forum on the US market, the changing pattern of competition and likely future trends in American policy will be reviewed by Morris Tanenbaum, vice-chairman of the board, AT&T; Paul Henson, chairman, United Telecommunications Inc; and Robert J. Eckenrode, executive vice-president, Nynex Corporation. Bert Halprin will be speaking giving FCC's view of the future.

New directions in European policy and prospects for closer European collaboration will be examined by Professor Carl Christian von Weizsaecker. Sir George Jefferson, CBE and Cor Wit, Pierre Suard, chairman and chief executive officer, Compagnie Generale d'Electricite, will speak on Future European Telecommunications.

# World Pulp and Paper Conference London - December 11 and 12, 1986

The internationalisation of the pulp and paper industry and, with increasingly competitive markets, the impact of rationalisation will be the central themes of the Financial Times seventh Pulp and Paper conference. This 1986 event, to be chaired by John Worlidge and David Clark, will bring together a prestigious pane of speakers including William L. M. Turner Jur, Dr. Hartwig Geginat, Erling S. Lorentzen, Fumio Tanaka and Bo Wergens to consider the outlook for the industry to the 1990s and the changing world markets.

All enquiries should be addressed to: The Financial Times Conference Organisation Minster House, Arthur Street London EC4R 9AX

Tel: 01-621 1355 (24-hour answering service) Telex: 27347 FTCONF G Cables: FINCONF LONDON Fax: 01-623 8814



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# **WORLD STOCK MARKETS**

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_	NYSE COMPOSITE CLOSING PRICES	AMEX COMPOSITE CLOSING PRICES Closing prices, October 31
The state of the s	The color   Sect   Color   The color   T	Sheek Bar E 1888 High Law Dann Group  ACCId 12 99 High Law Chann Group  AC
4 34.	27   1072   1073   1074	OVER-THE-COUNTER Nasdaq national market, closing prices October 31
	70 10 Schmitter 10 4 10 20 20 20 20 12 30 11 StPac s 15 319 31 30 31 +3 V V V	Stock Sales High Low Last Chang Stock Sales High Low Last Chang Stock Sales High Low Last Chang (Hads) (Hads) Stock Sales High Low Last Chang (Hads)
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	HAND DELIVERY  Your subscription copy of the FINANCIAL TIMES can be hand-delivered to your office in the centre of any of the cities listed above.  to your office in the centre of any of the cities listed above.  For details contact: Philippe de Norman. Tel: 02 513 2816. Telex: 64219.	Certifies 40 450 101g 97g 10 - 1g 10 -

What's your

If it's not earning money market rates of interest,

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# Changing fortunes for dollar and pound

THE FORTUNES of currencies turned round last week, with a rejuvenated dollar lending a beloing hand to its elderly relative, sterling. The infirm pound also received a tonic from the Middle East, although it is too early to say the retires has made a full recovery. nationt has made a ful recovery the patient has made a ful recovery.
It is not a regular occurrence for
the sacking of one man to move the
foreign exchanges, but Sheikh
Ahmed Zaki Yamani. Saudi Arabian
Minister of Oil. has been such a
towering figure on the world energy
scene for so long, that his dismissal caused something of a stir. Initial confusion on the news from

Rivadh, pushed oil prices and ster-ling lower, but when a meeting of

£ IN NEW YORK Previous Close 1.4045-1 4055 0.59-0.58 pm 1.86-1.83 pm 6.55-6.45 pm

STERLING INDEX Oct. 31 Previo bu bu su su su **CURRENCY MOVEMENTS** 

Sterling
U.S. Dollar
U.S. Dollar
Canadian Dollar
Belgian Feant
Belgian Feant
Bensh Krope
Dentsche Mark
Swiss Franc
Galider
French Franc 68.4 112.6 77.6 131.9 96.7 89.0 141.3 164.7 129.6 70.3 47.8 206.3

Morgan Guaranty changes: average 1980-1982-100. Bank of England Index (Base average

**CURRENCY RATES** 

0.847700 1.18661 0.720932 1.01039 1.40562 14.7062 43.3557 7.85828 2.08785 6.81506 1444.35 165.552 7.62084 140.242 7.11817 1.73382 141.424 2.765734

17.2794 50.9916 9.24369 2.45343 2.77192 N/A 191.638 8.93517 164.464 8.35017 2.03622 166.102 N/A

OTHER CURRENCIES

Oct. 31 19.75-19.87
7.8470-7.86-6
194.36-197.72
18.9285-10.9490
188.50
0.4120-0.4130
0.4120-0.4130
2.75-7.2-7.670
3.2080-3.2235
5.1345-6.8535
5.1690-5.1740 14.02-14.09 5.0200-5.0220 131.02-138.60 7.7970-7.7990 0.2925-0.2930 42.80-42-90 2.6220-2.6250 1.9665-1.9725 3.7495-3.7500 2.1970-2.2000 2.2850-2.2910 4.6510-4.8780 3.6725-3.6735

FORWARD RATES

**AGAINST STERLING** 1 4055 | 1,3998 | 1,3878 | 1,3715 | 1,3425 2,8950 | 2,8803 | 2,8493 | 2,8062 | 2,7279 9 4425 | 9,4157 | 9,3682 | 9,3129 | 9,1899 Exporting Countries pricing committee was called at Saudi Arabia's request, it was made clarr it was intended to lead the way towards an oil price of \$18 a barrel.

The main figures due for publication in the early part of the month are tomorrow's UK official reserves improving US trade balance and the for October. These are expected to show a fall, because of Bank of ers think again. Higher oil prices are

Sterling's fortunes are still very much tied to the oil market. North Sea prices rose from under \$13 a barrel to about \$14.50, and the pound benefitted accordingly.

Until this month the market would have been beginning to think about the approaching UK money supply figures, but because banking makeup day has been changed from the third Wednesday to the end of the month, the October figures will be released on November 11

EMS EUROPEAN CURRENCY UNIT RATES

England support for sterling, but providing the help has not resumed the impact on the market should be negligible. Statistics are also unlikely to pro-

Statistics are also unlikely to provide any market moving news for the dollar this week. October US unemployment will be announced Friday. This has been forecast to remain steady at 7 per cent, but whether this will provide sufficient reason for the Federal Reserve to cut its discount rate seems unlikely. When the Bank of Japan cut its discount rate by ½ per cent to 3 per

+1.09 +1.06 -0.55 -0.32 -0.29 +0.63 -1.97 2.11083 6.87316 Changes are for Ecu, th Financial Times. **EXCHANGE CROSS RATES** S Fr. HFL 2.405 3.270 1999 1.711 2.327 1422 0.831 10.48 0.675 20.81 8.519 262.5 2.070 63.81 0.813 25.05 1.059 1.488 3.066 243.1 0.416 0.584 1.204 95.43 3.463 1.360

4.830 15.67 1.230 3.992 1.673 1022. 1 30.82 5.427 3317 3.245 100

70.18 114.8

2.888 4.725

0.735 1 1.203 1.636

0.306 | 0.430 | 0.885 | 0.500 | 0.703 | 1.449

**EURO-CURRENCY INTEREST RATES** 104-100 54-57 82-82 5-52-12-4 43-412 78-74 71-75 42-42-9-92 57-6 114-112 512-52 82-82 52-52 32-32 42-45 72-72 10-102 72-72 42-41 92-10 512-52 114-114 511-512 802-814 512-514 512-514 712-8 1013-1012 712-714 712-714 412-414 912-1013

114-114 5%-6 811-89 5%-5½ 313-312 45-44 7%-84 10-104 7%-7% 412-411 9%-104 5%-6 Long-term Eurodollars: Two years  $64-65_9$  per cent; three years  $7-74_9$  per cent; four years  $71_2-74_9$  per cent; five years  $71_2-8$  per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT-FORWARD AGAINST THE POUND

1.80-1.75 pm 1.30-1.23 pm 41-43 pm 51-45 pm 6.45-1.00 dis 41-43 pm 1.80-328 ds 34-108 dis 4-4 pm 83-74 pm 33-34 pm 37-34 pm 37-34 pm 43-49 pm 4.90 2.64 5.28 3.49 1.79 -2.82 6.21 -2.25 -0.90 -3.55 3.42 2.43 6.54 4.45 1.0605-1.0685 2.89-2.904

Belgian rate is for convertable transs. Financial franc 60.60-60.70.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR 0.59-0.56c pm 0.95-0.80c pm 0.25-0.28c dis 0.08-0.06c pm 4-6 c dis 1.75-2.25ore dis 0.22-0.19p pm 100-140c dis 70-85c dis 4)-51/dire dis 5.20-5.50ore dis 0.80-0.90c dis 1.40-1.55ore dis 0.25-0.22y pm 5-4, gra pm 0.41-0.36 pm 1,80-1,75pm 2,85-2,55 pm 0,85-0.90 dis 0,27-0.34 pm 13-17dis 6,15-6,55dis 0,67-0,62pm 325-425 dis 1.4050-1.4060 1.3215-1.3225 1.3895-1.3905 2.3265-2.3275 42.80-42.90 7.76-7.76½ 2.05½-2.06 4.90 7.96 -2.29 0.35 -1.39 -3.09 1.19 -9.55 1.3950-1.4090 1.3125-1.3255 1.3880-1.3912 2.3100-2.3495 42.60-43.06 7.713-7.804 2,05°2-2,16 152'4-151'4 138-138'2 1421'4-1422'4 7-51'4-7-52'4 6-7170-6-7180 7-03-7-03'2 163.35-163.45 14-52'4-14-54 225-425 dfs 210-245dfs 16-1712dfs 16-25-16-55dfs 3.10-3,40dfs 4.30-4,60dfs 0.59-0.52 pm 12pm-112dfs 0.88-0.83 pm

14.53½-14.54 1.7100-1.7110

regarded as a central element in any rise in world inflation. If US inflation begins to rise at a time when economic activity is picking up the Federal Reserve will be careful not

Kiichi Miyazawa, Japanese Finance Minister, and Mr James Baker, US Treasurer Secretary. reached agreement to co-operate on foreign exchange market issues. Mr Baker welcomed a

Calls Oec. 10.35 5.45 1.80 0.35 0.05

High 96-08

rme 213 (157)

Dec. 88.74 88.76 88.67 March 89.17 89.19 89.12 June 89.45 89.52 89.43 Sept. 89.42 69.45 69.40 Dec. 89.17 March 88.94 Est Volume 4.055 (3,776) Previous day's open let 14,145 (14,196)

SIm points of 100%

Close High Low
Dec. 94.12 94.20 94.09
March 94.10 94.19 94.08
June 93.92 94.02 93.90
Sept. 93.62 93.72 93.61
Dec. 93.25 93.28 93.28
March 92.85 92.92 92.85
June 92.47
Sept. 92.10
Estimated volume 6,374 (14,245)
Previous day's open int. 25,501 (25,738)
U.S. TREASURY BONDS 89,
S100,600 32mds of 100%

Close High Low 97.19 98.13 97.13 h 96.24 96.23 96.23 95.27 96.09 95.26 sated Volume 7.320 (15.372) ous day's open int. 6,630 (5,570)

Spot 1-min. 3-min. 6-min. 12-min. 14055 1-3990 1-3878 1-3715 1-3425

not fully replace expiring securities repurchase agreements with the

banks. Any resulting shortages were met on a day-to-day basis through Government disbursements, but

these funds were withdrawn early last week to meet end of month commitments by the authorities

Currency swaps were provided to assist market liquidity, but banks strugged to achieve their reserve requirements, and bid call money up to 5.50 per cent on Friday from

**CURRENCY FUTURES** 

Close High Low Prev. 164.45 165.00 163.70 163.25 167.45 — 166.25 volume 445 (61.2)

LONDON

One Year

10.35 10.35 5.45 5.60 2.40 1 15 0.80 1 0.15 0.4, - 0.15 4 - Puts -

to add fuel to the fire by reducing

package of measures to stimulate Japanese growth and reduce trade imbalances. He added that the US remained committed to reducing its budget deficit.

According to Mr Miyazawa the agreement means possible joint intervention to stabilise the market if necessary, and that US officials will stop talking the yen up. These factors gave a very strong undertone to the dollar at the end

As Japan cut its discount rate Mr of last week, after better than expected economic data.

A near record West German trade surplus in September sug-gested the US trade deficit might be towards the top of the forecast \$13bn to \$16bn range. But the US

LIFFE US TREASURY BOND FUTURES OPTIONS

Puts-Dec. 0.05 0.40 2.00 5.30 14.60 19.60

Jan. 0.25 1.05 3.05 6.50 10.70

Mar, 0.90 2.20 4.60 7.90 11.95 16.45 21.05

IMM-STERLING Sa per E

CHICAGO

Close 98-03 97-06 96-06 95-07 94-10 93-16 92-24

91.18

Close High 1.3980 1.4010 1.3800 1.3845 1.3630 1.3725 Dec. 13980 14810 13905 Mar. 13800 13845 13725 June 13630 13725 — LIFFE—STERLING £25,000 \$ per £

Low 1.3880 --

91-01

By the end of the week dealers were suggesting the US might be forced to cut its discount rate before the end of the year to preand setting back the improveme in the trade delicit. Such a view would have been unthinkable

Dec. 0.00 0.00 0.01 0.02 0.08 0.21 0.40

CERT. DEPOSIT (IMM) \$1m points of 100%

High 94.19 94.17 94.00 93.48 93.31 92.89 92.49 92.10

deficit was only \$12,56bn, com pared with a revised \$14.03bn in August and \$16bn in July. US leading indicators in September rose 0.4 per cent, com-pared with forecasts of 0.2 to 0.3 per cent, and factory orders climbed 3.4 per cent, against expecttions of 3.0 to 3.2 per cent, providing a further boost for the

the answer is "not enough" Make it do more with Forward Trust Treasury Services. As a licensed deposit taker, Forward Trust Limited accepts large sums of money every day, for terms ranging from overnight to over the year And only a week or so ago our service is very easily arranged. All it takes is a LIFFE FT-SE 100 INDEX FUTURES OPTIONS phone call To find out how straightforward and competitive our service is, ring us today before noon on 01-588 2333 or send for our brochure.

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CARROLL McENTEE & McGINLEY, INCORPORATED ₩.

Prev. 94.90 94.90 94.76 94.51 94.17

94.53

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# **MONEY MARKETS**

# Caution follows Japanese rate cut

THERE was little reaction to news the Bank of Japan had cut its dis-count rate by ½ per cent to 3 per cent. The West German Bundesbank central council meets on Thursday, but is not expected to follow the Japanese lead. Steady economic growth and above target money sup-ply growth mean the Bundesbank will probably maintain its present credit policy. fears about inflation

Renewed fears about inflation and better US economic figures tend to indicate the US Federal Reserve will be equally reluctant to make a

UK clearing bank base lending rate 11 per cent since October 15

rates, in spite of the sudden improvement in the pound's fortunes, but there was no further suggestion of another rise.

London money market rates were steady, influenced only by external factors and sterling. The Bank of England had no difficulty in managing the London money market. ing the London money market, where credit conditions were com-

In London there was no sign of fort pressure for a cut in bank base soft. fortable, keeping short-term rates

FT LONDON INTERBANK FIXING (11.00 a.m. Ocs. 31) 3 months U.S. dollars 6 months U.S. doltars Otter 5 13

BANK OF ENGLAND TREASURY BILL TENDER

	Oct. 3.	1 Oct. 24	· · · · · · · · · · · · · · · · · · ·	Oct. 3	1 Oct. 24
Bills on offer Total of applications Total allocated Minimum accepted bid Allocatem at relations less	£298.4 £100a	m E503m   £100m   £97.34	Top accepted rate of discount Average rate of discount Average yield Average yield Average of the at next tend	10 5631	<u>ጐ10.6349</u> ጐ -
WEEKLY CHAN	GE IN V	VORLD	INTEREST RATE	S	
	Oct. 31	change		Oct. 31	change
LONDON	11	Linch'd	NEW YORK	712	Unch'd
7 day interbank	10-	-14	Federal Funds	513	
3 month interbank	11,1		3 Mth. Treasury Bilts	51) 5.35	-0.05
Treasury Bail Tender	10.5631	-0.0718 	6 Mgs. Treasury Bills	5.48	-0.07
Band 1 Bells	10%	Unch'd	3 Mah. C D	5.67	-0.13
Band 2 Brills	10元	Unctrd	FRANKFURT	_	i
Band 3 Bills	104	Unchid	Lombard	5.5	Uncera
Band 4 BUS	10(1	Unctid	One mth. Interbank	4.575	+0 025
3 Mth. Treesury Bill	10(3	-&	Three month	4 625	+0.05
1 Men. Bank Bills	1043	{ -&	PARIS		}
3 Mith. Bank Bills	104	-14	Intervention Rate	700	Unetr'd
79KYD		Į	One mth.(sterbank	7.4	-4
One months Bilts	=	1 -	Three month	7%	Unch'd
Three months Bills	_	! –			1
BRUSSELS		1	MILAN One promb	10%	ĺ.
One month	74	Unch'd		114	ولأحا
Three mouth	7,3	Vach'd	Three manual	77.6	+
AMSTERDAM		I	DUBLIN		
	51 <sub>7</sub> 51 <sub>8</sub>	<u> </u>	One month	131 <sub>2</sub> 131 <sub>2</sub>	وا = أ
One month		1 -12	Three month		1 ~ ·5

Big Bang in the City thiled to dollar, leaked back into the domes-generate more business for the dis-count houses, as suppliers of short-absorbed when the central bank did count houses, as suppliers of short-term liquidity. A combination of technical problems involving the London Stock Exchange Topic system and a general waryness am

the new market makers in gilts kept trading at a low level. Money market conditions in Frankfurt were more difficult, with the Bundesbank trying to insure the

mercial banks would meet their monthly minimum reserve require-ments, without giving any indication of easier credit policy.

D-marks sold by the Bundesbank earlier last month, in support of the

1212-9

MONEY RATES NEW YORK Treasury Bills and Bonds (4 pm) 455.470 74-74 34-34 54-54 5.00-5.50 7.2 2-14 5.4-5.6 450-4.65 74-75 31<sub>8</sub>-34 5.8-54 55 104-114 8.00 125-127 LONDON MONEY RATES 114-114 114-11 114-11 114

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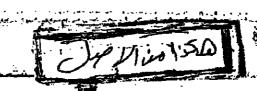
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# Singapore

Singapore has survived perhaps its greatest challenge as an independent nation and is emerging from a deep recession with policies set by a younger generation of leadership

# New openness prevails

ONE YEAR ago, Singapore was fell by 13 percentage points to in the midst of a spiral of 62.9 per cent. A record of two economic decline that seemed to challenge the very foundations of nationhood. These foundations were only 20 years old, and they were built on the premise that under the strong leadership of Mr Lee Kuan Yew, Singa-pore's only Prime Minister since independence, and his People's Action Party (PAP), life for Singaporeans would progressively improve.

That ceased to happen last ear, after many years of strong advances that had made Singa-pore the second wealthiest nation in Asia after Japan. Not only was progress reversed, but as bad news continued to build on thad news, it became in-creasingly apparent that the Government itself had caused much of the problem through gross policy errors.

The Government, evidently, could no longer claim that it knew what was best for Singa-

self-indication among many who had grown tired of the Government's paternalistic air of superiority. Some of this dissatisfaction had registered a year earlier, in the elections of December 1984, when the hour global financial system, Government was returned to and as the business and finan-

opposition MPs were elected to the 77-member parliament.

Hardly the stuff of political crisis by western standards, yet these were clear signs that something was wrong. The smallest waves in Singapore have the capacity to rock what is more accurately described not as a ship, but as a boat of

Singapore is tiny, just 2.6m people, crowded onto an island 41.8 kilometres long and 22.9 kilometres wide. It is over-

# By Steven Butler

shadowed by Malaysia to the north, and positively dwarfed by Indonesia, the fifth most populous nation in the world with 155m people, which seems actually to surround it in a broad are from the south. It is Chinese island in a sea of

Prosperity, growth, and stability are the lifeline of Singapore, the only means to preserve and expand on its role as an international entrepot centre, as a key player in the 24 power with the lowest majority cial capital of Southeast Asia.

Singular of Southeast Asia. Singapore is 76 per cent

nightmarish than the thought of economic decline leading to a resurgence of the racial tension that rocked the island in

That, of course, did not happen. Today, one year after the economic crisis came into full bloom, the economy has not yet recovered, even though clear signs have emerged that it has touched bottom and egun the long process of re-

Yet Singapore the nation has been buoyed up with a show of the resilience and resourcefulness that for 20 years had made it one of the fastest growing

economies in the world. Perhaps it should have been expected that the Government that had engineered such fantastic economic growth for so many years would be able to devise policies to take the nation out of recession. It pragmatic government—and Mr Lee has always been pragmatic -would be willing to sacrifice any sacred cow that threatened to stop the nation's forward

- Many Singaporeans were startled to learn that the Prime Minister had finally sanctioned cuts in employers contributions to the Central Provident Fund (CPF), a self-financed, manda-toxy pension scheme for all em-ployees in the island state. The CPF had been a symbol of the Government's farsightedness.



rebuilding the economy

having one of the highest sav-ings rates in the world, and provided a ready stock of funds for building Singapore into the model city for which it has

The Prime Minister, in August 1985, had vowed that the CPF would be the last thing to touch, but six months later this policy was reversed after it was realised that the scheme had boosted labour costs beyond what was internationally competitive and had helped contribute to weakness domestic demand.

The cut in CPF contributions was just one of a range of new policy initiatives designed to pull the nation out of reces-sion, and to provide for long-

More remarkable than the shift in policies, however, is the fact that radical changes have been introduced without any of the old complaints that the Government had acted in a

It had forced Singapore into high-handed manner, without consulting the people of Singa-

> This is because the Govern-ment did, indeed, consult the people in what was probably the most elaborate public debate in the island's state history. Brig-General Lee Hsien Loong, son of the Prime Minister and now Acting Minister for Trade and Industry, headed a highlypublicised Economic Committee hat regularly primed the public for what was to come in a series of analytic reports on the economy produced by sub-committees drawn from the public and private sector.

There was no surprise when, in March, the Government cut the CPF contributions, taking money from every Singanorean's retirement nor when it slashed corporate taxes, proposed a two-year wage freeze or introduced a series of measures designed to reward and encourage private business

With the measures so thoroughly aired, they were accepted with just a whimper of public protest because the vocal public understood why they were necessary, however painful they might have been.

The success of the committee, which is universally recognised has earned the Prime Minister's son his spurs. He was once seen as something of a lightweight boy wonder whose rapid emerg-ence could only be traced to a fast ride on his father's coat-

and General Lee is now accepted as an important political player in his own right. Ironically, as General Lee has proven himself, and his real influence grows, specu lation that he might succe his father directly as Prime Minister has faded away. Mr Goh Chok Tong, the deputy prime minister, is now clearly tipped to become the next prime minister.

This is all very reassuring for Singapore as a nation, Perhaps the gravest challenge to strike Singapore in its 21-year history, a deep recession that was partly self-induced, has been met by a younger genera-tion of leadership that has heralded a new openness of

The Prime Minister has stood back and only vaguely endorsed the new directions set for the

are broadly designed to scale back the cost of doing business in Singapore in order to attract in Singapore in order to attract
more investment, and to promote Singapore as a centre of
superior human resources—
excellence, as the Government
excellence, as the Government

achievements is lost, this time now calls it.

Many of the specific measures ended in the committee report are now in place.

appeared tomorrow," says a diplomat, "things would proceed without a flicker."

None the less, says General Lee, "It's not yet done. I would not say that the recovery is already pre-destined." already pre-destined. There must be a maturing period during which a new tone can be set."

The Government now the workforce to learn more, to ties, to work harder, more efficiently, and to turn up for a third shift in order to the return on capital for

foreign and domestic investors. The fear is that Singaporeans, already accustomed to a good standard of living, will relax and let the comparative advantage of the nation slip

around, no one is likely to accuse the Government of failing to see what lies ahead and

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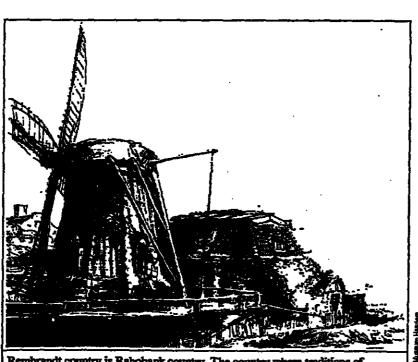
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# Economy

# The pain begins to ease

E ECONOMY of Singapore begun to recover. That in the left is a surprise and has ant that this, the deepest	Domestic Exports	Ву	Country	Region	
ession in Singapore's history,	(S\$m)				
I not be as painful as ex- ted just months earlier. In late October, Brig-General		1984	1985	–1986 q 1st	uarters- 2nd
Hsien Loong, the	Malaysia	3,533	3,773	808	832
ing Trade Minister, reported		3,965	3,860	887	785
the Parliament that the	UŠ	7,920	8,159	1,876	2,400
nomy recorded positive	Hong Kong	2,303	2,058	487	512
wth again in the third	EEC	3,451		767	810
irter, according to prelimin-	West Asia	1,644	1,634	458	373
figures, and that the	Other countries	10,235	9,706	2,297	2,235
nonv would register snowth	All countries	38.051	32,576	7,495	8.048

clear turning point in Singa-pore's economic history. The causes of the recession are well

understood and quite simple—
the cost of doing business in
Singapore rose far faster than
productivity, a process that
gossiy priced Singapore out of
the international marketplace.
The loss of competitiveness
was obscured for several years
because of a boom in construction that was based on projections of continued rapid
economic expansion. For a time
the enormous expenditures on the enormous expenditures on the chormous expenditures on property development created a self-fulfilling prophecy for the economy as a whole, but the roof crashed down rapidly when property demand evaporated. Property values plunged, construction declined, and demand was rapidly syched. and demand was rapily sucked out of the comomy.

Added to this was a sharp the oil refining business, which accounts for one-third of manufacturing output in Singapore, and a decline in shipbuilding, in which Singapore had invested heavily.

Although growth has returned to the economy, a revival of the good old days is still years off because of the severe overhang in the property sector. perty prices seem to be firming up finally, but construction activity has continued to de-cline and to depress aggregate

Even when the effects of the ssion have passed fully, most observers expect that Singapore will take on more of the characteristics of a mature economy, with good years marked by growth in the 3 to 5 per cent range, not 8 to 9 per

The recession had a wild melodramatic side to it because of the collapse of Pan Electric

**Gross Domestic Product By Industry** 

S\$m)	1984	1985	1986 q	uarters	1
		•	lst	Źnd	
griculture and fishing	153	138	31	29	•
narrying	85	79	16	16	1
familiacturing	3,345	3,101	696	830	1
Itilities	472	494	119	131	1
onstruction	1.463	1.254	249	256	2
emmerce	3,889	3,820	916	910	•
ransport and communications	3.582	3.637	957	978	-
inancial and business services	3,682	3,778	949	969	1
ther servicesess imputed bank service	1,763	1,831	485	458	•
charge	1,771	1,830	473	474	3
Total	16,604	16,302	3,939	4,103	1
ourses Benertment of Statistics					

Industries, which touched off a crisis that led to a 3-day closing of the Stock Exchange of Singapore, and the eventual collapse of seven of the 25 broking houses that were members of the exchange.

The man responsible for the collapse, Mr Tan Koon Swan, has since been jailed on charges stemming from the misuse of company funds for share buying. Although fraud was in-volved in the stock market crisis. Mr Tan might have got away with it were it not for the decline in the economy that had already sent share prices

Presaging the economic re-covery, and indicating restored confidence in market institu lions, share prices recovered When the causes of the sion were finally dissected

in detail in the report of the Economic Committee, chaired by General Lee, the Parliament moved swiftly in March to put the recommendations of the report into effect. Short-term measures were aimed at slashing immediately

the cost of doing business. Employers' contributions to

individual taxpayers bene-fited from an across-the-board rebate of 25 per cent for 1986. Corporate taxes were brought down to 33 per cent. Property tax rebates of 30 per cent were also granted to industrial and

commercial properties.

These cost reductions, combined with the decline in rent and other operating costs in Singapore, have sharply im-proved Singapore's competitive

General Lee has said that in 1985 the rate of return on investment in Singapore had fallen to 10 per cent, compared with 18 per cent in the countries among members of the Organisation for Economic Co-operation and Development.

The reductions sizshed total business costs in Singapore by 2.3 per cent, raising the return on investment by 16 per cent. on investment by 16 per cent. To make Singapore truly competitive again, a severe wage freeze proposed by the Government along with continued boosts in productivity will still

Government has sent to Europe, North America, and Japan in search of investment

which Singapore trades heavily.
"We have suffered a significant
drop in our GDP because of our

dehbours," says General Lee. Those economies are unlikely to recover until commodit prices pick up again, which could take years.

The early recovery of the economy is attributable mainly the second edurer in clear tronics, petroleum refining, and ship repair from earlier depressed levels, and this has evidently continued into the

spected to provide further etus for growth, but beyond

give it a few natural advantages while making it extremely dependent on the world.

"If you are not 300 pounds," says General Lee, "you cannot be a summer wrestler."

Singapore cannot dominate significant sectors of inter-national markets because of the huge risk involved. Its depen dence on oil refining already contributed to roller coaster ride. General Lee says that Sings

Sha

pore now must learn how to ride through the peaks and in order to prevent the re-currence of an overbeated economy plunging into a pro-tracted recession. This means that Singapore is going to have to be a little

ahead with a hundred ideas.

This, though, is nothing new
for Singapore. It is a nation of immigrants who have lived by their wits for more than a hundred years before Singapore became a nation. Many people

# New generation in the wings

WHEN Mr Lee Kuan Yew announced several years ago that he would retire as Prime Minister of Singapore at the age of 65, in 1988, he created an expectation that new leaders would rise gradually to take a more prominent leadership role in the Government.

To some extent this has happened. Best known among the younger generation is the Prime Minister's son, Brigadier General Lee Helen Loong, who

is now acting Minister of Trade and Industry.

General Lee has also taken a prominent rule in the ruling People's Action Party by organ-icing a new youth wing of the People's Action Party by organ-ising a new-youth wing of the party. This is an important effort designed to take on board a generation of Singaporeans who did not know the old Singapore, and who are less litably to be sufficiently grate. Singapore, and who are less likely to be automatically grateful to the PAP for turning Singapore into a modern, prosperous city-state. They are also less likely to accept the "dady-knows-best" attitude that is the hallmark of PAP leadership.

But the maturation of leader-

younger generation of leader-ship has hardly eclipsed the old man. Indeed, the Prime Minister has taken an unusually active and public role recently

enemies of the PAP.

He has set about quite openly and forcibly to discredit Mr J. B. Jeyaretnam, to convince Singaporeans that Mr Jeyaretnam, the most outspoken of Singapore's two opposition MPs, is a scurrilous fellow, in the words of Mr Lee a "fly by night politician."

politician."

Chances are that Mr Jeyaretnam will be in jail before long, either from losing an appeal on a conviction of misappropriating funds of his Worker's Party, or as a result of a decision of his fellow MPs to suspend his partismentary profelesses and to ns remove mers to suspend his parliamentary privileges and to punish him for casting public doubt on the independence of the judiciary, and later failing to provide evidence.

This is all rather unseemly. Mr Jeyaretham is an unworthy opponent, a loquacious lawyer who is no match for the Prime Minister's cutting intellect and offers no serious alternative to

the Government.

Yet he stands up to the Prime
Minister with the infuriating
resilience of a punching bag
and this earned him something
of the status of a popular folk
hero among Singaporeaus, some
of whom think that Mr Lee is a
bit of a bully. This. very niainly,
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The Prime Minister's so Brigadier General Lee Haien Loong, acting Minister of Trade and Industry, is the best-known among the younger generation of politicians in the raling People's Action Party which has only two Opposition MPs in Parliament (right) at present

irresponsibility, since it com-pletely overlooks the issues at

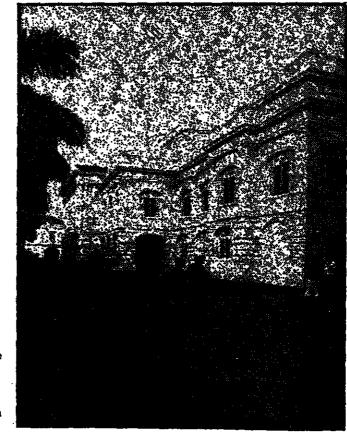
One theory is that Mr Lee is preparing to retire by vanquishing his opponents. More likely, this is simply the old Lee—the fighter who rises to a challenge, and does what he thinks needs to be done with little concern for his popularity. "He enjoys it," says a diplomat

diplomat.

"You have to make a coldblooded calculation," says
General Lee Hsien Loong, and
evidently pandering to popular
sentiments is not part of that.

The Prime Minister spoke to
these issues with extreme
frankness at a national day
rally in August that was given
little publicity.

"We decide what is right,"



"I say without the slightest remorse that we wouldn't be here, we would not have made here, we would not have made the economic progress, if we had not intervened on very personal matters. Who your neighbour is, how you live, the noise you make, how you spit, or what language you use. Had we not done that and done it effectively, we would not be here today."

It is a start view of the

It is a stark view of the world, but Mr Lee is convinced that in the end the people will vindicate him. "Popular government does not mean you have to be popular when you govern," he said. "It means that at the end of your term, whether you choose to run for four years, for five years or full term you

choose to run for four years, for five years or full term, you must retain enough popular support to come back and form the next government."

This Mr Lee has always managed to do, but signs are increasing that the PAP may eventually have to deal with more than just two token opposition politicians in Parliament. This presents a dilemma

because the PAP does not believe there is really a legitimate role for opposition. An opposition can only win if the PAP fails to provide good leadership, says General Lee. And since the Party has provided good leadership, only irresponsible votes could be cast for the opposition

irresponsible votes could be cast for the opposition.

Many suspect that the prospect of the PAP losing its near ebsolute control over the Parliament because of a large protest — "irresponsible" — vote will make Mr Lee hesitate to retire fully.

vote will make Mr Lee hesitate to retire fully.

"It was fundamental social and cultural changes that brought us here." Mr Lee said in August. "And now the most difficult part is how to manage the strong system. It's not simply just to govern them. To govern is simple, but to let the second generation govern, it is very difficult, it's very delicate. Because if it goes wrong. Im still responsible. If the ball is shot into the goal, I'm the goal\*eeper."

Steven Butler



# Manufacturing

# Electronics heads the revival

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component in the island
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stride again with surprising turing have substantial produc-

WHETHER OR not Prime speed after the recessionary shock of the past two years. It is ambition to turn singapore into an international centre for finance, business and information, manufacturing is certain to remain a crucial component in the island acrucial republic's economy.

More than half Singapore's world demand for semiconductors and companies are supposed after the recessionary tion facilities in Singapore, haveing been attracted in the 1960s and 1970s by the saland's economic micro and political stability, its micro and political stability. The first 10 years.

The real growth came in the first quarter.

The flowerment, acutely electronics, where improved conscious that Singapore's higher wages could easily drive foreign companies to move else-

come from the export of manufactured products and, as the refining capacity picked up marginally as more spot market mittee headed by Brig Lee Hsien Loong points out, service industries cannot plausibly expand sufficiently to replace this, either in terms of revenue or in employment.

It is fortunate, then, that the sector is getting into its electrondic component manufacturing have substantial produc-

Manufacturing investment	comm	itments	
(\$\$坤)			
	1984	1985	1986
Foreign:			
First quarter	286	129	193
Second quarter	309	345	253
Third guarter	422	296	
Fourth quarter	342	134	
Local:			
First quarter	94	68	96
Second quarter	162	49	. 49
Third dustier	181	25	
Third quarterFourth quarter	54	95	
	•4	. ••	
Tetal:		. 100	***
First quarter	360	192	289
Second quarter Third quarter	471	<b>394</b>	302
Third quarter	603	321	_
Fourth quarter	396	229	_

from the island.

It could hardly wish for a better example than that set by Seagute Technology of the US.

the world's leading producer of micro disk drives. From a mero that drives. From a small sub-assembly unit employ-ing 50 people just four years ago, Seagate has expanded to become the republic's biggest employer and is planning to increase its local workforce of 6.000 by a further 1,000 before the end of the year.

Mr Alan Shugart, Seagate's

chairman and a computer industry veteran with 30 years of design experience, says: "We of design experience, says: "We made our big decision in 1984 to move everything to Singa-pore. Sometimes I think we pare more like a Singapore com-pany doing a little bit of R & D in the US."

The company is transferring

over the next 18 months to complete its first local piece of product development—a compact disc read-only memory (CD ROM) which it claims will have

10 times the storage capacity of a conventional floppy disk. Seagate, in common with Seagate, in common with other -high-technology enterprises in Singapore, has emerged quickly and relatively painlessly from the recession. Electronics industry output suffered a comparatively mild contraction of 5.6 per cent last year against 1985 and began to regain pace rapidly from the beginning of this year.

The recent US-Japan accord on semiconductors has cast a

snacow over the emp industry in Singapore but Fujitsu and NEC, which have production facilities there, say they have no intention at present of deferring expansion plans. In Fujitsu's case these involve expenditure of \$\$40m (US18.6m) in two steems on (US\$18.6m) in two stages on a plant to turn out the 256-kilobit dynamic random access memory (DRam) chips which dominate the market. NEC has already been driven

on semiconductors has cast a

shadow over the chip industry

by the strength of the yen to transfer some of its production from Japan to its Ang Mo Kio plant in Singapore, and plans to expand its monthly output of chips locally from 300,000

semiconductor factor, which by the time it is built is likely to be producing the more advanced 1-megabit DRam which is set to replace the 256-kilobit chip as the industry's feworette

Until the full implications of

the US-Japan anti-dumping accord become clear, the main brake on expansion in Singapore's electronics industry is staff shortage. Government wage restraint policies have made recruitment difficult even in industrious Singapore an unemployed worker used to monthly pay of \$\$700 is reluc-tant to accept the \$\$400 norm electronics production line

Down at the shipyards the problems are of a different nature, and some painful surgery will be needed before the chronic imbalance between capacity and demand is corrected. Since the peak year of 1981 when the three marine industry sectors of shipbuilding rig building and shiprepair together produced revenue of S\$2.4bn, an eightfold increase in 10 years—the first two acti-vities have virtually ceased.

Falling prices and oversupply in the world oil market from 1983 meant a sharp cutback in exploration and hence demand



Mr Dick Van Hilten, chairman of Shell's Singapore operation: overcapacity unlikely to go away

for new rigs and tankers. But Singapore started off as a shiprepair rather than shipbuilding centre so in a sense the industry has come full circle. Now, paradoxically, the low level of oil prices has led to an

element of stockpiling by speculators and a demand for speculators and a demand for redundant supertankers to be number of facilities been motheronverted for storage garposes. Profit margins on this and other shiprepair work will remain razor thin, though, until Singapore's dry dock capacity of more than 2m dwt is cut down to size.

have been lower had not a number of facilities been motherone in the collider been motherone in the profit is number of facilities been motherone in the profit is number of facilities been motherone. The overcapacity problem is unlikely to go away. Mr Dick wan Hilten, chairman of Shell's Singapore operation, told of more than 2m dwt is cut down to size. A report by US management consultants McKinsey and Co., recommending a merger of the two biggest shipyards, the government controlled Keppel

facilities, was rejected last year. Instead the two yards, in con-cert with Jurong shipyard, in which the Government holds a 43 per cent stake, and the pri-vately-owned Hitachi Zosen Robin yard, agreed to limit work to 20 days a month per dock so that the limited bustness available would be evenly

shered.
In addition, Keppel is to cut
its own dry dock capacity by
45 per cent with the closure of
its historic Main Yard and concentration of operations at the
more modern Tuas facility.
The island's five oil refineries
—operated by Exxon, Royal
Dutch-Shell, EP, Mobil and the
state-controlled Singspore Petroleum Refining Company— have been surprisingly busy, though with precious little in the way of profit to show for

Capacity utilisation has been kept up largely by "surrogate refining" — processing crude for independent foreign producers, including China and Iran, seeking to move into the market for oil products, whose prices have held up marginally better than that of basic oil. Still, the five refineries ran at only 62 per cent of capacity last year, a figure which would have been lower had not a number of facilities been moth-

oil and gas industry: "In 1987 we may see yet another major export refinery (Rabigh in Saudi Arabia) coming on stream and some minor

refinery loading will continue to drop in 1987 and only in 1988 begin to rise gradually again,

It was unfortunate that S\$2bn petrochemicals complex on the island of Pulsu Ayer Merbau in 1984 coincided with market, and the plant has yet to make money. Losses rose from \$\$33m in the first year to \$\$56m in 1985, but are expected to be slightly lower this year. A continuing bright spot In manufacturing is Singapore's increasing importance in the region as a centre for the aerospace industry. Revenue from aircraft maintenance and related manufacturing operations grew last year from 5\$559m to \$\$669m. According to the Bronomic Development Board, growth is expected to cent a year up to 1995.

Aircraft maintenance opera-tions are particularly well placed and a clutch of foreign companies has set up in Singa-pore, attracted by one of the world's finest airports, the growing volume of regional air traffic and local labour costs. The government-owned Singa-pore Technology Corporation is

pore Technology Corporation is an umbrekla organisation under which the republic's military equipment makers are grouped. As well as manufacturing a wide range of ammunition, companies within the group produce locally-designed small arms, including a light machine gun, and are able to maintain and refurbish tanks, personnel carriers and other military

Roger Beale

# Trade and Investment

# Sharper edge to competitiveness

MEASURES TAKEN by the cent off international communi-Singapore Government to bring as quickly as possible an end to the recession in its external economy have covered a broad sweep this year—a was breeze, tax cuts, and special incentive sweep this year—a wage freeze, tax cuts, and special incentive schemes most prominent among them. But one crucial factor them. But one crucial tarnor in effecting a potential turnround in trade and direct ber 1987, others are indefinite.

In addition, case-by-case investment incentives have been the form of the steep ment incentives have been the ranging to full exside in the form of the steep climb against world tarrencies

of the Japanese yen.
While the Singapore dollar has remained flat to weaker against its US counterpart over me past year (it was Le per cent lower year-on-year in September) the yen has appreciated by close to 50 per cent. The island state, along with other newly industrialised Asian countries, has as a result gained in attraction as a place for Janan's private sector to for Japan's private sector to locate production capacity.

locate production capacity.
In theory at least, this has
washed away the negative impact of a higher wages strucinter inherited from earlier
years. Not only can Japanese
betters now produce more industry now produce more cheaply in Singapore than before, but the island's homegrown output scores a competitive edge over Japan in regional and international markets.

whatever the source, some-thing is coming right. Exports of visible goods turned positive again in July for the first time since the recession set in last year, up 3.9 per cent over the same month of 1985. This has not been achieved

This has not been achieved without cost, however. July prices for exports were, for the fourth month running, falling insere steeply than import prices. These showed a 14.5 per cost fall compared with a year carlier, but trailed the downward drift in export price indices by a margin which had widened to 5 percentage points. So, crude tessus, it could be confished that Singapore has been discounting more than its tradcounting more than its trad-partners have done. st competitiveness is the

Cost temperitureness concern Government's prime concern for the stront sector, on which singapone heavily depends. This in turn depends largely be creating the right operating environment for foreign busi-

Entrepor trade in goods not suching Singapore account for sighly a third of all the land's trading revenue, although these re-exports have been slowing markedly amid setbacks in prices for the primary commodities such as rubber and palm oil, which this siness largely involves. addition, less than a third of exports of domestic goods is provided by indigenous manufacturers: the rest comes from the output of multinationals which have production substitution for the fireign banker closely throughout in trade finances says:

involved in trade finances says:

"The cost of just being here has come down substantially in the past two years. The official incentives have come observes:

Singapore, unlike Japan or Australia, has low domestic de-Australia, has low domestic de-mand, therefore it must trade. For that you need infrastruc-ture and people, all at the right price. That is happening again." Apart from general reduc-tions in labour costs and taxes, the island's service authorities have driven a combine harhave driven a combine har-venter through their scales of charges—Singapore Telecoms chapping 10 per cent to 50 per

Marie Sec.

ment Board for industrial land lessees to list just three.

stepped up, ranging to full ex-emption from corporate tax for up to ten years for approved "pioneer status" industries.

All this will produce, in the Lee Hsien Loong, Acting Minister for Trade and Industry, a gross return on manufacturing investment of 16 per cent for the current year. Although the figure is a sharp improvement from the 10 per cent recorded in 1985, he says, "This is equivalent now to OECD levels. It needs to be higher."

The moves provide the cli-mate for increased direct investment from abroad, but on the whole they stop short of providing the specific facilities. A visiting senior executive from Sony recently criticised the lack of support technology for electronics, and a western banker comments: "The Government thought it could have a Silicon Valley here, but things like a science park, uni-versity input, and a nuclear accelerator are all lacking.

accelerator are all lacking.

Mr Shigeki Mutoh, Singapore general manager of Mitsui and Co., the giant Japanese trading house, agrees, although he questions more the low level of local private sector involvaduestions more the low level in local private sector involve-ment. "It is peculiar. I don't understand why Singaporeans do not invest in their manu-facturing sector. It is always

property instead.

Misul, which has had a Singapore presence for 95 years, is concentrating on expanding is concentrating on expanding its offshore business, which already accounts for 70 per cent of turnover through the company's local office.

Although Pacific commodity trading is its main concern, Mitsul acts as the conduit for major import orders from Singapore public and private sector contractors. Notably, it has grouned Japanese heavy engi-

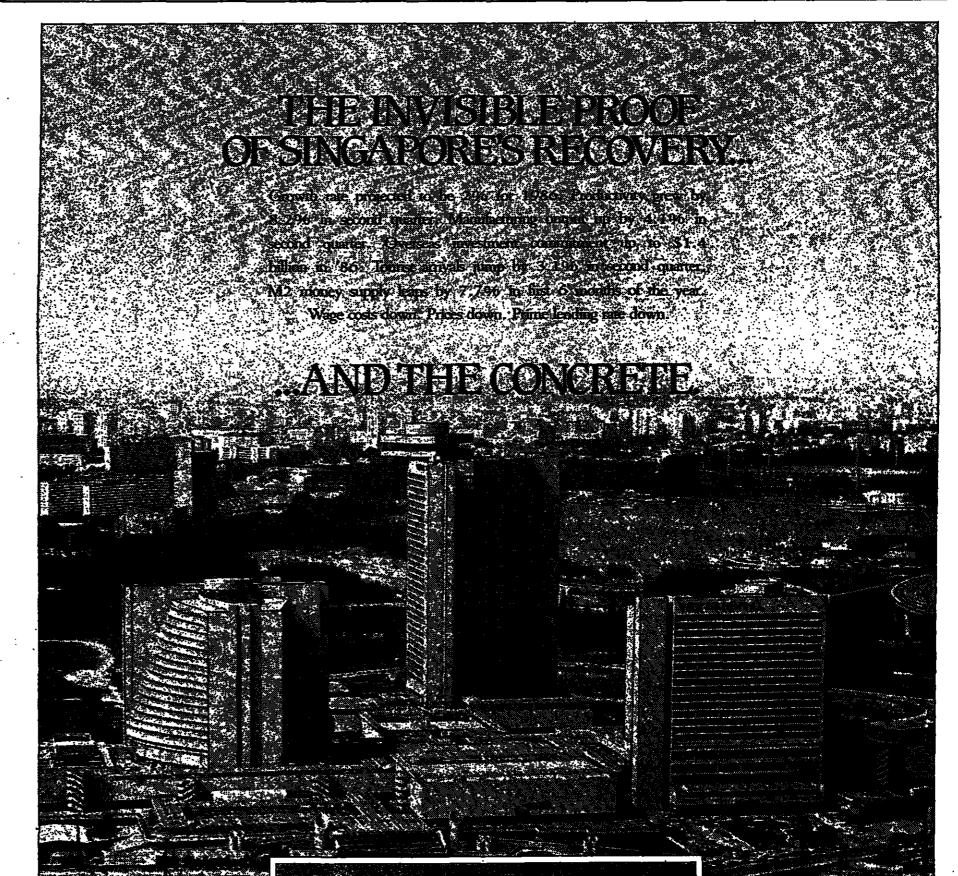
grouped Japanese heavy engi-neering companies in a Y60bn venture to supply the entire rolling stock for the island's planned Mass Rapid Transit

metro project.

Electronics, an industry set on its feet by Texas Instruments in 1968, is still attracting investment-Matsushita, for example opened a new precision motors plant in August and may boost its existing \$\$240m commitment by a further \$\$100m. But the e among industry analysis is that Singapore continues to lose potential Japanese investment both to the US West coast and to the lower-wage Asian

The government regards the key growth area for the future as services. The category is a catch-all for industries from transport to banking, but taken together forms around a quarter of Singapore's total foreign exchange extrangs, General Lea argues that Singapore has a natural advantage in the region because of its educated, Englishspeaking workforce, and that the solution lies largely in marketing on an international

Gordon Cramb



Marina Square is the largest shopping, hotel and entertainment centre in S.E. Asia.

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Finance

# Smoothing gaps and impediments

that Mrs Elizabeth Sam, deputy chairwoman of the Singapore which is a large and growing proportion of the charge (Simex), could barely make herself heard when addressing dealers on its trading floor last month. Not that what she was saying was unpalatable: the reverse, she was launching a US Treasury bond futures contract, the seventh to join the now two-year-old market.

But the persistence of the outcry from its pits indicates a vigour which is reflected in volume which has quadrupled since the end of its first operating quarter, and a membership which includes both locals and, significantly, 19 Japanese institutions, there to do business institutions, there to do business in the same at home.

Simex is part of a financial months since its publication, while others are due to follow. The aim is to attract and keep foreign institutional business in the face of deregulation measures in Tokyo and elsewhere the sometry's Economic Committee, in evaluating personne against national at a crossroads."

The report added: "While where Arian dollar market. In a bank dealing room of, say, 50 people, around 35 are likely to be foreign exchange specialists, and their skills remain at a premium. The Asian dollar market, established in 1968, has grown at a compounded rate of 65 per cent or more a year.

Simex is part of a financial months since its publication, while others are due to follow. The aim is to attract and keep foreign institutional business in the face of deregulation measures in Tokyo and elsewhere against national at "Switzerland of Asia" although the Simgapore economy, providing foreign institutional business in the face of deregulation of asia "Tokyo and elsewhere the face of deregulation and the face of the foreign institutional business in the face of deregulation of the face of deregulation and the face of the foreign institutional business in the face of deregulation and the face of deregulation and the face of deregulation of the face of deregulation and the face of the face of the face of deregulation

both locals and, significantly, 10-Year Plan." It went on to grown at a compounded rate of 19 Japanese institutions, there outline gaps and impediments, 65 per cent or more a year. to do business which is not some of which have already Even in 1985, when the domestic

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**Economical After Office Hours After** 

the face of deregulation risk management through a measures in Tokyo and elsewhere. The role is described as a "Switzerland of Asia" currency futures include the although the Simex people prefer a Chicago/New York analogy, pointing to Tokyo.

Foreign banks are in Singaport of the control of

In other areas, activities of the 123 foreign banks remain constrained by a protective official attitude towards the local institutions, particularly in retail banking. They are on the whole prevented from opening whose prevented from opening opening open up new areas of the island. They complain of being excluded from new technology services such as automated teller machines away from bank buildings, point-of-sale funds transfer, and home banking.

By default, therefore, wholesale business such as crade finance has grown in significance. Corporate lending has meanwhile begun to contract despite interest rates which are at historic lows, and one analyst describes their returns there as "just lousy at the

Nor are the local banks have Malaysia, where an increasing a good year, and earnings ingly littery financial sector is are expected to show little if both reflecting and compoundany recovery after the aggreing that country's economic and gate 26.4 per cent setbacks in political ills. Although a net profits for 1985. Although a witching of some funds out of it is generally held that the domestic Malaysian institutions, worst is over, shey remain which is believed to have taken

economy entered its decline, the themselves have felt obliged to market expanded by 21.3 per impose. An unturn of any magnent to carry a total worth of nitude is not thought likely

growth which has tended up-wards since February, revers-ing a two-year decline. This allows them to borrow less in the interbank market, which is more costly and which is domin-ated by the powerful Monetary Authority of Singapore (MAS) as the main net supplier.

Simex provides the means for isk management through a values, a sector which represents an estimated 18 per cent onsistently the most active, of total loan portfolios. Provisions have been regarded as adequate, but property is also frequently used as security in other lending, and any further erosion of prices next year would leave loans uncovered. There are signs of a pick-up on the residential side, and some argue that the Government is too large a property owner it-self to allow a major bankruptcy

> cess, to counter this by cutting deposit rates earlier and reladeposit rates earner and rela-tively more steeply than they cut prime. They are also be-ing helped by a rate of deposits growth which has tended up-

Something similar is hoped which is believed to have taken place in recent weeks, is likely to have provided a deposit to have provided a deposit to have provided a deposit inflow to Singaporean as well hated by a more cautious lending policy which the banks operating there, the island's him

Trading in sterling financial futures has started on the Singapore International Monetary Exchange as part of a widening network of financial dealings

four remain significantly exposed to Malaysia.

Oversea - Chinese Banking in the sector.

A squeeze on interest margins caused by competition for example, is reckoned by one broker to have as much as 30 per cent of its loan business. The banks are attempting, with some successful the square statement of the square statement of the square statement of the square statement of the square square statement of the square square statement of the square statement of t sidiary there has been a loss-

But the big four, which together had total assets at end-1985 of \$\$63.2bm, have been discovering areas of oppor-tunity as well. Notable among these in the past year are their stockbroking operations, taken on as a result of the collapse late last year of several securities firms during the exchange's forward contracts crists. Good commission resources commission revenues are ex-pected, despite start-up costs of which a \$33.3m outlay each on an exchange seat was just one

for—and in more auspicious circumstances — from the planned government bond target area, after the lifting in market to be launched on the 1986 budget of tax and March 2. The four have each other disincentives. Liability been awarded a primary dealership licence.

and risk-free, in order that a corporate market can evolve from it. The MAS has been stressing its wish for a market-driven structure, and private sector banks have been closely

Indeed, the MAS has, by all rival exchanges in Hong Kong accounts, this year been adopting a more accommodative attitude to innovation within the banking sector, in contrast tude to imovation within the banking sector, in contrast to its higher profile in the previously less than rigorously significance lies more in that it regulated stock market, and in recognition that its developmental relationship in the previously significance lies more in that it was preceded, from September 1979. entirely into a policing func-tion as Singapore's financial product range broadens.

Fund management is one

The motivation is not so much to provide the state with funds, of which it has little need, but to deepen the local markets. An early spate of government issues of varying maturities will set a pricing benchmark which is fixed-rate and rich-free in order that a second response to many the second response to the market by allowing tax-exempt forces to government issues of varying management in Hong Kong.

Since, which has pursued an exempt that the second response to the market by allowing tax-exempt forces to government in Hong Kong.

international strategy from the outset, is due meanwhile to introduce its first home-grown product early next year. This will be a Singapore stock index futures contract, comparable with those which have provided

regulated stock market, and in was preceded, from September, recognition that its develop by a contract based on the mental role should not wither Tokyo Stock Exchange's Nikkei index. According to Mrs Sam, "Our domestic economy is small, therefore our contracts are international. It is a neat are international." It is a neat niche approach which is set to be echoed elsewhere in the Singapore financial sector.

Gordon Cramb

Stock exchange

# Back in international favour

THE TWO-YEAR peaks attained the market has been changed disclosure clauses is acknown them. In particular, three government in three key respects in the ledged by a director of one of ermment-led initiatives are index in recent weeks have, on first appearances, left the The Monetary Authority of houses: "Singapore has very hoosting investment conscious market's Pan-Electric debacle of Singapore (MAS), the island's little to fall back on. We must ness among Singaporeans, pro-11 months ago way below at

Local and foreign buying has sustained a rally of surprising vigour, and interest from abroad has been such that overannote has been such that well-seas broking houses are known to have been exploring the possible purchase of seats on the Stock Exchange of Singa-

But it is not only the memory that remains. The collapse at the end of last year of Pan. • The olg four domestic banks Electric Industries, the marine salvage and property concern larger quoted companies, brought with it revelations of a tangle of forward share contracts, a three-day suspension of trading on the exchange, the demise as independent entities of several local stockbroking firms, and a sense that the Singapore market suddenly had a lot of maturing to do before it could regain international

It has done so, again to an unexpected extent. Restoring the market to its upward path has, however, meant roping it in with regulatory constraints previously thought unnecessary. designed to protect summer. Next time, the climber might investors. Brokers find its pronot fall so far, but room to visions irksome; but, others would. The observe, brokers would. The manoeuvre has been the cost.

The surrounding structure of

quasi-central bank, now has equity dealings under closer scrutiny than ever. Its brief was always wide enough to have included the stock market; but it was blamed, with hindsight, for not having appreciated sufficiently the secondary banking role which local brokers had come to adopt — where their own creditworthiness was

used to fund share purchases

exchange committee as part of a new-found broking function which is sapping the client base of those local brokers which

Among the four, the Development Bank of Singapore, the largest, has been identified as making a streadle retail oush, while all to varying extents are attracting much of the business placed through foreign institu-

• The Securities Industries Act — which existed in outline draft before the Pan-Electric crisis, but which was brought forward as a result — has been designed to protect smaller for excess paper.

have our credibility." The good standing of the

larger companies quoted on the Singapore exchange is unimpaired in the eyes of international investors, despite price/earnings ratios that are touching 30 as the effects on profits of a more sluggish domestic economy filter through. On a busy day, more than half the dealings in stocks such as Singapore International among players abroad.

This is both good and bad news for the local market, at 1 per cent (local institutions get a ½ point rebate) and foreign firms have so far been unable to gain seats, atthough up to a dozen have enquired.

On the one hand, it means that more deads are being crossed away from its floor, eroding both commissions and control. On the other, the activity overseas reflects inter-national entirusiasm for quality Singapore and Malaysian quoted stocks of an extent that should ensure a ready market

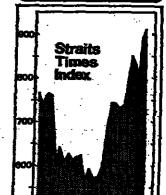
Moves are being made to broaden the Singapore market, both in the scope of its listings and in the investor base for

ernment-led initiatives are under way, simed equally at boosting investment consciousness among Singaporeans, promoting the island as a world financial centre — and, along the way, reducing the state role

First, Central Provident Fund accounts—the state savings which are mandatory for Singapore income earners—have been partially freed, to-allow withdrawals in order to purchase equities. The scheme, introduced in May, has had a less than frenetic initial take up: s) in late September showed 8,000 participants in all and an investment inflow into the market of S\$84.7m. From this month, though the available amount is to be doubled.

Individuals can draw from their accounts to buy shares in a list of approved companies, largely blue chips. The Govern-ment needs to ensure that voters fingers do not too often get burnt, and speculation is not being encouraged. Instead, the list is expected to be widered next year by the inclu-

widened next year by the inclusion of unit trusts.
Second, privatisation will account for the bulk of new issues coming to the market, sustaining a pace set by the successful SIA flotation. New issue volumes have not been large in Singapore, although rights issues by existing quoted



Singapore

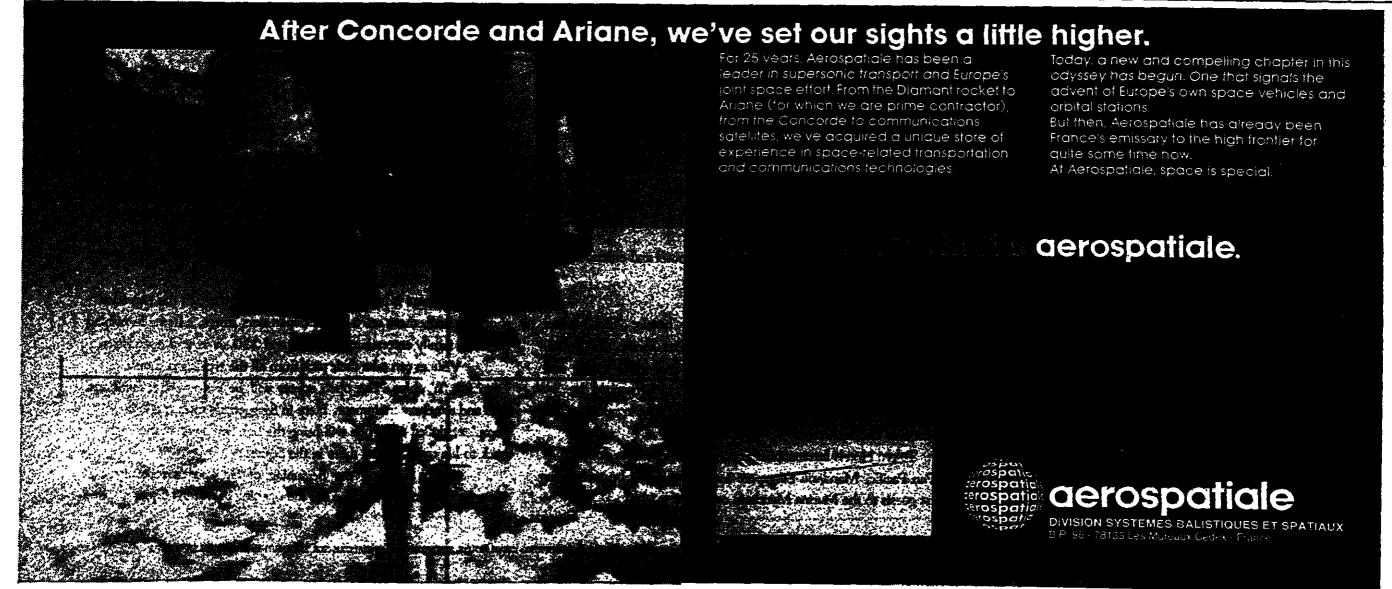
over the next year to maintain their S\$1.1bn-to-S\$1.2bn average weight of paper overhanging the market

tio

The third area of expansion entrepreneurship. The Govern-ment, however, plans to launch some of its smaller operations there as a way of getting the market on its feet.

The market, to be called SESDAQ (Stock Exchange of Singapore Dealing and Automated Quotation System) will have few peers technologically
it has been planned as an
electronic no-scrip operation. But foreign brokers see potential dangers in the single marketmakers that are expected to emerge for some stocks at least, hindering the ability to sell a holding.

Gordon Cramb



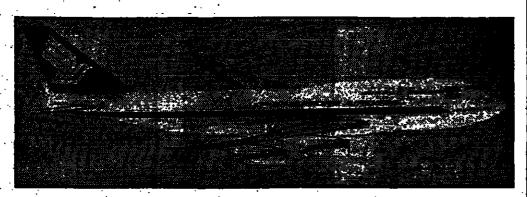
MR LEE RUAN YEW, the Singapore Prime Minister, and his British counterpart have a mutual high regard which is well known. But while Mrs
Thatcher from time to time exborts industry in the UK to learn the Singapore lesson of growth in productivity, a drive to privatise state assets now under way in the smaller island state can in some ways be seen as the other side of the coin.

There are similarities not only in the rhetoric but in the candidates for privatisation— the flag carrier airline, telecom munications, the ports which are on the whole service industries with a high visibility and often a large consumer base. Differences clearly exist both in the priorities for sell offs to the public and in the means in

which they are carried out. As far as ends are concerned, though, the Singapore version is not as closely tied to funding tax cuts, and one financial analyst comments: "They have not really worked out yet what they mean by privatisation and what they want to achieve." What is apparent on the part

of the Singapore Government, which has in the past played a large development role in set-ting up industries where the island had no inherited experience, is a desire now to take more of a back seat. Special cases will still be made—in the defence sector, say—but the message is out to state companies that they should expect in future to divest rather than

the Government's Economic Committee, which in February publishes its wideranging report on areas proposed for reform or expansion, stopped short of issuing a full list or install the contraction. timetable for privatisation, al-though it did identify a few key targets. Brig General Lee Hsien Loong, the Prime Ministers' son who was its chairman, appears to place less stress on ownership structure than he does on an internationally-minded approach. "Whether public or private sector, they ought still to go overseas" to find renewed



A B747-SUD (Stretched Upper Deck) of the Singapore Airlines: the S\$500m share issue is the centrepiece so far of asset sales

its operations," he says. A smaller, more manageable collection of state enterprises would be more tikely to facilitate this, away from the respon-sibility of being the nation's main economic engine.

The centrepiece of asset sales so far is Singapore Airlines, floated off in a S\$500m share issue during a very rocky time for the local stock market. The airlime remains 63 per cent government-owned, but foreign investors now hold 20 per cent and Singaporeans, including SIA employees, the remainder. All have done well—the shares, after an initial downture, are now trading at close to double

The size of SIA relative to private sector quoted companies made it immediately market leader on the Stock Exchange of Singapore. This in itself is an indicator of the lack of large corporate entities outside the government umbrella.

Despite the fact that foreigners can legally buy, on aggregate, no more than the fifth of SIA which they already hold, on many days business in its shares abroad is more active than that done domestically— rather muting the intention of the authorities that the local equity market gains financial solidity as a result of such flota-

SIA was first choice probably because, its modern fleet and income growth, he says.

General Lee, now acting saide, it already had about a market for Trade and Industry, iffth of its equity in the hands company in advance of that hints at an additional advantage of its shift, and these were of a reduced state role. "We shares which eventually needed should try to get our public a market. This is not generally at for the issue, but merchant sector more counter-cyclical in true among Singapore state bank advisers have already

companies. Viewed differently, therefore, there is not as ready a case to be made for floating those which have been men-tioned as likely to follow it. This is one reason to explain a lull since the SIA launch. The

period has been punctured on a few occasions by smaller sales from the portfolio of Temasek, the state investment holding company. In the past few months it has shed minority parcels of stock in United In-dustrial Corporation and in National Iron and Steel, both of which already had market list-

fall only on the fringes of pri-vatisation in the full Thatcherite sense. They were sold not to proud Singaporeans but as blocks onto the London market, largely through Hong Kong offices of UK brokers.

In this way, at least, the Government can maximise returns. and perhaps towards the top of a run-up in prices without the need to provide a cushion for first-time individual investors

likely to be, curiously, a com-pany with no business record and which at the time of launch may still be without tangible operations. Singapore's Mass Rapid Transit (MRT)
metro project is not due to
open until 1988, yet one proposal under serious consideration involves floating the MRT company in advance of that next year.

ties indicate that as much as 75 per cent or more may be on offer in the MRT operato the land, rolling stock and other fixed assets will stay in state hands, provided to the

The Government may not even retain a so-called golder share to ensure control. It is pointed out that Singapore Bus Services is an entirley private sector company, running one of the world's largest fleets with only an annual licence from the sanction to influence decisions such as fare structures.

It is acknowledged, though, that the earlier a flotation comes, the more problematic its terms will be, both for the Government to resolve and for potential investors to evaluate ing reflects the enthusiasm largely of Mr Michael Fam, chairman of the MRT company, as well as of the Public Sector Assets Disposal Committee which has a far wider brief.

Mr Fam's committee has also been examining Telecoms, the The next main disposal is telephone network operator; kely to be, curiously, a comrity; and Changi airport, among others. All are now run by servants, who are on the whole well regarded. This does not mean they are free of obstruc-tive bureaucracy, but rather that time is likely to be taken in sifting out revenue-generat-ing areas from the regulatory

Gordon Cramb

# Copyright Pirates

# Action against offenders stepped up

until now have sailed virtually unhindered through the laws of copyright to hijack the words, pictures, music and ideas of others for their own

not inconsiderable profit. This year the island is expected to produce some 20m pirate music cassette tapes, at a theoretical cost in revenue to legitimate manufacturers of about US\$100m. This is a distinct improvement, though on the peak year of 1981, when Singapore's pirates are said to have exported a staggering 126m tapes.

then, police have piped up action against the leaders. More than 49,000 icate tapes were seized in office raids which averaged we a week over the first eight wonths of last year. This comwith seizures of 28,000 in 196, 156,000 in 1983 and a super 400,980 in 1982. The beginning of the end for

The heginning of the end for become law before the end of the island's copyright pirates this year.

The heginning of the end for become law before the end of the law of the la

cision, early last year, Mr E. W. announced that the Government was working on a new copyright law more relevant to a tech-nologically advanced society. Underlining the Government's determination to deal effectively with copyright piracy, he said that Sintellectual endeavours must be adequately safeguarded to encourage creativity."

to encourage creativity."

In fact a parliamentary committee had been formed as early as 1980 to look at the possibilities of revising the 1911 Act, which had been supplemented by the 1914 Copyright Act and the Copyright (Gramophone Records and Government Broadcasting) Act of 1968. A draft Bill, based on the Australian copyright legislation of 1968, is scheduled to become law before the end of become law before the end of

sisting in the UK or or a year's imprisonment for a kins of the time, second offence. In practice, fines in art continued in seldom exceeded \$\$400. Under

fines of S\$10,000 for each infringement, meaning each copy of pirated material, up to a

Copyright holders have recourse under Singapore law to both criminal and civil action and the Government plans to set up a copyright tribunal to decide on the remmeration payable under statutory licence Foreign works will be pro-tected by bilateral arrangements and under international copy-right conventions of which the

epublic is a member.

The need for an overhaul of the copyright laws was given an added urgency by two factors which meant that the advantages of the country's relatively free and easy attitude to the subject were suddenly out-weighed heavily by the

First, it became apparent that Singapore's aspirations to become a regional focus for become a regional focus for research and development in high technology sectors—a "brain services centre"—were increasingly under threat because of its reputation as a hotbed of piracy. US computer software makers, keen to set up business in Singapore, were worried about protection for the copyright on their products, in some cases representing investment of millions of dollars. Commercial staff at the US

ences (GSP), which is currently being reviewed.

The Trade Act passed by Congress in 1984 makes copyright protection one of the criteria determining the extent of which developing countries benefit from the GSP. Removal status would mean that Singapore, were worried about protection for the copyright on their products, in some cases representing investment of millions of dollars.

Commercial staff at the US

Roger Beale

Microsoft, one of the larges US software makers, anticipated the new law and appointed ar agent in Singapore earlier this year. By October Mr Rick Tsang, the company's manager for Asian area sales, was complaining that an estimated 90 per cent of Microsoft software packages sold in Singaport and Malaysia were pirated

IBM. the world's bigge computer group, took cour action earlier this year, winning six Singapore companies which had been pirating its software

up the copyright law is the danger that continued pirate activity could jeopardise Singapore's status as a favoured trading partner under the US Generalised System of Prefer ences (GSP), which is currently

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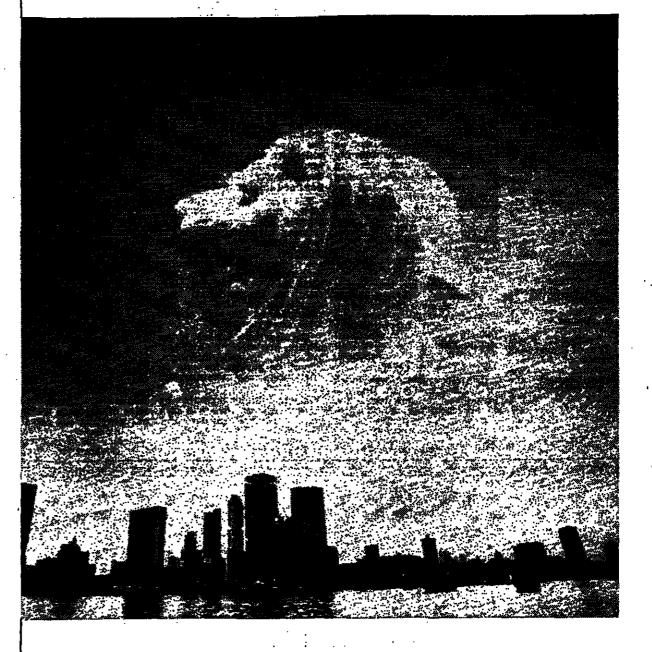
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# New laws tighten controls

view of the role of the press in its particular brand of democracy is straightforward and unequivocal. According to Mr Sinnafhamby Rajaratages at a firm of according discourse. and unequivocal. According to Mr Sinnathamby Rajaratnam, a Mr Sinnathamby Rajaratnam, a senior minister in the Prime Minister's office: "We see freedom of the press not as the end but as means to an all-embracing end — the integrity and independence of our country; its security, its prosperity; the eradication of anything that would sow seeds of social, radial and religious conflicts."

It was to encourage adher-ence to these worthy objectives among the international press among the international press
that the Government passed new
laws early in August enabling
it to penalise foreign publications caught "engaging in the
domestic politics of Singapore."
The wide range of activities
which this wording might conceivably cover earned the
Government rare criticism from
the Law Society of Singapore.
Mr Francis T. Seow, its president, said that such ill-defined
legislation would result in
"subjective interpretation and
implementation."

attempt to still and a still a still a still a still a still and for the first time in decades, growing dissent among the electorate. Many also felt that the apparent desire by the Government to control the press sat uncomfortably with its avowed ambition to make Singapore a centre of communications and information exchange for the whole of South East Asia.

The country has long sought to encourage foreign newspapers and magazines to set up satellite printing plants, and those printed there already include the International Harseld Televice has been been already included. mose primed mere already include the International Herald Tribune, the Asian Wall Street Journal, the Economist, Time and USA Today.

The Government was quick to point out, though, that the purpose of the new law is not to prevent Singaporeans reading what foreign newspapers say about their country, but simply to stop publications benefiting financially, by using

controversial domestic issues to boost their circulation.

Thus an offending foreign publication would be fisted in the Government gazette, after which its sale or distribution would have to be authorised by the minister for communications and information.

tions and information.

The first publication to fall foul of the new law was Time, the US news magazine. For refusing to print, unedited, a letter from a government official criticising its coverage of new legislation concerning parliamentary discipline, the magazine was ordered last month to cut its 18,000 local circulation to 9,000 for the remainder of the year, and to 2,000 after that. 2,000 after that.

The law also makes it an offence, punishable by a fine or jail term, to sell, distribute, import or possess for sale or distribution any unauthorised

It was initially prompted by the Government's desire to curb what Mr Rajaratnam described as Western "James Bond journalists" who believed they had "a journalistic 007 licence

controversial domestic issues to to destroy the reputation of their circulation.

Thus an offending foreign South East Asia with impunity." However, Singapore's leaders already had some fairly heavy ammunition with which to nail ammunium with which to nail the wayward journalist. The Internal Security Act of 1963 gives the administration wide powers to deal with security threats, including the ability to prohibit publication, circulation or possession of any material

or possession of any material prejudicial to the "national interest, public order or society of Singapore."
A 1964 Act prohibits publications with "seditious tendencies" and the Undesirable Publications Act of 1967 authorises the Government to ban any publication deemed "contrary public interest

to public interest."

Why the need for yet more regulations? One explanation could be that the Government was seeking a way of administering a milder "slap on the wrist" to publications it saw as persistently trying to undermine Singaporean society, without wheeling out these legislative big guns.

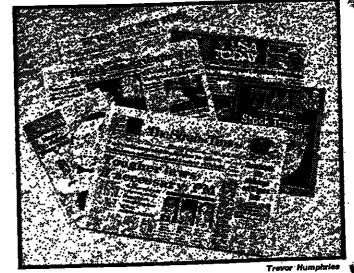
Behind all of it, though, lies the Government's apparently

unshakable belief that it and it alone knows what is best for Singapore. First Deputy Prime Minister Goh Chock Tong summed up the administration's views of journalists in a university speech last year: "We cannot have two forces trying to influence the public in different directions. If they think they we directions. If they think they've got superior views, then they should stand for election."

The local press has its own problems, though it is more concerned with restrictions of Press Holdings, a group formed Press Holdings, a group formed from the 1984 merger of Times Publishing Berhad, Straits Times Press and Singapore News and Publications, has a monopoly of the local newspaper industry. It publishes 11 daily and weekly newspapers, three in Emelish, two in Malay three in English, two in Malay and six in Chinese, together with three monthly and one oi-monthly magazine.

This is by any standards a generous helping of reading matter for a population of little more than two and a half million, and there is little prospect of the group being able to expand further domes-





Mr Sinnathamby Rajaratnam: "freedom of the press not as an end but as all-ambracing end." Right: some of the newspapers and magazines printed

ginal 3 per cent last year but acquisition, and after turning profitable acquisitions abroad failing advertising revenue, reflecting the country's domestic recession, pushed pre-tax profits down from \$2119m to \$5106m.

There is little evidence, and after turning round from sizeable losses last year is only expected to turn in a fattish performance for 1986.

There is little evidence,

with a cash position of S\$208m and strong operating cash flow, but until it does it is likely to down from \$\$119m to \$\$106m.

Analysts expect profits this year of \$\$38m, rising to about \$\$107m in 1987 as the wider economy recovers.

So far, SPH's attempts to expend abroad and move into other activities at home have met with little success. Its most important foreign investment, the UK partworks publisher Marshall Cavendish, has had a bumpy ride since the 1981

a fiattish performance for 1986.

There is little evidence, tremain a local newspaper group with nowhere to go. Some analysts thame the group's promise at the time of the merger to analysts. Some analysts of them Singaporean bankers—for the apparent of the success. Its most important foreign investment, the Competition in these areas is already fierce, start-up costs important foreign investment, the UK partworks publisher Marshall Cavendish, has had a bumpy ride since the 1981

SPH is well placed to make

an already overcrowded market came in a drastic slow-down in housing completions for the first half of 1986 to 1,026, compared with the 1983-85 half year average of 2,083.

The gint of office space caused by the completion of substantial new buildings—an additional 168,000 square

additional 168,000 square metres in the year to March has been considerably

has been considerably exacerbated by the hardening

of the economic climate. More

ones took their place, and existing tenants occupied less space and drove very hard bar-

gains over rents. In many cases, rents were halved com-

The supply of new office pace dropped by 45 per cent

in the second half of last year as fewer new projects were launched and the completion dates of building in progress

The shattered nerves landlords, caught between cut-throat price war a

pressure from their lenders, were steadled somewhat by fiscal adjustments and the

war and

were put back.

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# Glut hits rental prospects THE FIRST things the v The rental side of the resi dential market remained weak, though, relying as it traditionally does on expatrates, many of whom have been forced to return home by the contraction in the job market which has accompanied the general recession. Evidence of private developers' determination to stem the flow of new houses on to an already overcrowded

**Property** 

notices about property in Singa-pore are that there is a lot of it and that none of it is very old. From the serried ranks of government-built flats with their horizontal flagpoles of washing to the towering offices, shops and hotels of the central city there appears to be

Behind it lies an aggressive 25 year programme of housing and urban redevelopment that has banished the slums and sharty towns of the 1950s and provided most Singaporeans with comfortable self-contained housing in new towns. Today, 84 per cent of the population live in the 552,000 flats managed by the Government's Housing

and Development Board.

More than 400,000 of these flats are now owned by their occupiers, through a home ownership scheme under which tenants need only make a 20 per cent down payment, with the balance payable in monthly instalments over 20 years at an annual interest rate of 61 per

cent. The Government's subsidy to HDB, which is responsible everything from land acquisition to the provision of

community facilities, is more than \$\$100m a year. The rapid rate of construc-tion of housing for lower and middle-income groups by the Government was more than matched in the private sector.
Construction activity grew by
a remarkable average of 22 per
cent a year between 1980 and 1984, adding an average 2.3 percentage points to GDP growth each year. Growth peaked at 36 per cent in 1982.

This rate of expansion was far higher than that of the economy as a whole and, according to the Economic Commit tee's report on the sector,

The result was a property glut and a relentless decline in prices and rentals which has sent shock waves right through the economy. The Economic Committee report spells out the danger: "Given the extent of the linkages between the pro-perty market and the rest of the economy, a total collapse of the property market would have ticular, any further drastic decline in property prices could affect the integrity of the



A boost was given to the sluggish Singapore commercial property market by the recent sale to Hong Leong Group of the 350-room Orchard Hotel for S\$39m. The Orchard, in a prime location at the centre of the bustling Orchard Road shopping area. has been profitable since its opening in 1980 and has consistently achieved occcupancy rates above the depressed average, says Chestertons Lim Oh, the agents. It was formerly owned by the now-defunct Pan Electric Group.

banking system."

The problem of oversupply resulting from the construction boom of the early 1980s extends to all sectors of the property market—housing, offices, indus will take time to absorb. Typically, the Government has moved swiftly to help counter the problem, freezing sales of its own land for building development for the next two years and stopping the sale of office space in government

This together with a package of tax and other concessions to developers and landlords, and a slightly firmer tone to the a slightly himer tone to the economy as a whole, went some way towards restoring confi-dence, if not prices, in the second quarter of this year.

Nevertheless, according to a leading estate agent, Chestertons Lim Oh, one in five of private housing units were empty in March, as was 17 per cent of office space and similar proportions of retail, warehouse and industrial property. house and industrial property. Where demand is showing signs of revival, it is restricted to well-located property of good design, leading to increased differentials between this and other, lesser categories of building.

Analysis now expect the

based on published City Kuala Lumpur ...... 100,00 145.71 125.29 Sydney ..... 143.20 Honolulu 167.15 180.85 Hong Kong ..... 181.50 232.36 230.13 Tokyo .....

residential sector to lead the long hoped-for recovery in the property market, with demand from new homemakers and the ambitions of those in govern-ment-built flats to trade up providing the impetus.

Demand is more pronounced, says Chesterions, in the under \$\$500,000 category, where the problems of oversupply have problems of oversupply have not been so acute.

A noticeable improvement came in April when buyers were better able to calculate the debt they could afford to service following the announcement of new rates for the Government's Central

introduction of generous tax incentives for foreign companies setting up operational headquarters in Singapore.

Much of the limited demand

which has begun to reappear in 1986 is from existing tenants taking advantage of bargain cents and switching to better locations, notably in the smart new Raffles Place development. Such movement has no impact, though, on the 480,000 square metres of office space which remained vacant

space which remained vacant at mid year.

Prices of office space in the past year ranged between \$\$4.840 and \$\$5,160 per square metre for the best locations and as little as S\$1,884 to S\$2,123 at the lower end, reflecting in some cases sales where the vendor had little choice. Rents

vendor had little choice. Rents ranged from \$\$14 per square metre per month to \$\$54.90.

The picture in the retail sector was much the same, with fairly brisk take up of new premises in some of the city's imaginative new shopping centres, particularly around the Orchard Road strip, at the cost of older or less well-placed developments. developments.

Prospects for the medium

rospects for the meaning term future in the property market remain dull. But at least the panic is over. Developers and landlords feel they have come through the worst and the banks know where their customers' problems lie; pasty supprises will be few. nasty surprises will be few.
There is a general feeling that
the economy is about to pick
itself up and get going again.
Sooner or later property prices
will follow it.

Roger Beale

# TH SINGAPORE BUSINESS

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(Second qtr)		542			1,138	527	
(Third qur)		1.621	135	1,512	1,029	483	
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